

Beating the clock

By Ivan Morgan (St. John's)
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News outlets in Europe report two billionaire entrepreneurs — one Irish, one Scottish — are investing in a local development company championing the construction of a 300,000 barrel-a-day oil refinery in Placentia Bay.

Dermot Desmond, cited as the fifth richest man in Ireland, and Scottish mining tycoon Harry Dobson have joined forces with international oil executive Stephen Posford and the highly successful local resource company, Altius, to form the Newfoundland and Labrador Refining Corporation.

The company is wasting no time getting the project started.

“We recognize to a certain degree there is a race in place in the sense of filling this capacity — this insatiable northeastern U.S. market as well as diesel demand in Europe,” Chad Wells, Altius’ vice-president of corporate development, tells The Independent from his St. John’s office. “We’re forging ahead here. Our timelines are reasonably aggressive.”

Altius owns 37.5 per cent of the company, Desmond, Dobson and Posford split the remaining 62.5 per cent.

The new company is hoping to beat the clock in the race to quench North America’s thirst for fuel. Irving Oil is looking at building another 300,000 barrel-a-day refinery in Saint John.

With a completed feasibility study, Altius is now compiling environmental assessments, building community relations with people in the Placentia area and seeking financial backing.

Altius has hired Aegis Energy Advisors, a boutique investment bank in New York, to identify potential investors. President and CEO Garfield L. Miller III is familiar with the province and the industry — Aegis were the “valuation advisors” to Vitol when the company sold the Come by Chance oil refinery in the 1990s.

Reports in the European media say if Altius gets green lights on federal and provincial government regulations, it expects to start construction by year’s end and complete the project by 2011.

The Newfoundland and Labrador Refining Corporation is aligning all aspects necessary to proceed with a project of this magnitude — finding suppliers, securing long-term markets, assessing the labour force and, of course, raising the financing.

Wells says that’s where the overseas billionaires come in.

He says Dobson is already involved with Altius through another project — the Rambler copper-gold

mining venture they are pursuing on the Baie Verte peninsula. He says Altius did a primary assessment of the refinery idea and saw the opportunities.

“We had enough sense to recognize that this was a very capital intensive project, one on a scale beyond anything Altius had tackled before,” says Wells. “And the first person Brian (Dalton) thought of was Harry Dobson.”

Wells says billionaire Dobson felt the project was too big even for him, and brought associates Desmond and Posford into the project.

Halifax-based oil and gas consultant Bill Simpkins says the construction of a second refinery has a number of challenges, including the “not-in-my-backyard” syndrome that has been a barrier to refinery construction in North American and Europe. There is also the need for a skilled labour force and secure markets.

The challenge for investors, he continues, is having confidence in the long-term payout — the time it takes to see a profitable return on an investment.

“If you are an investor you have to look at the future,” says Simpkins. “If your payout is long term 25-30 years, will we have ethanol cars? ... Will we have electric cars? What will be the continuing demand for gasoline in that long term?”

Wells says they have received a very positive reception in Placentia Bay, which “is a very big part” of why Altius is confident about their project.

Potential investors have expressed concern about accessing workers, but Wells says they’ve identified expatriate Newfoundlanders and Labradorians living in Western Canada who possess the necessary “skill sets.

“For the right opportunity of rewarding pay, they’d come back here in a second. Just for the lifestyle and just to be building a family at home.”

“It’s very good news if there’s another entrant in the market and they’re not going to spend public money on it,” says Simpkins. “If they’re going to spend their own money or other investment money then that’s great.

“If they can do that I think that is pretty exciting for Newfoundland.”

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