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N.L. Refining Corp. changing focus

Director says increasing diesel over gasoline production is best move for new refinery

By **EVERTON McLEAN**
THE TELEGRAM

The proposed oil refinery for Southern Head in Placentia Bay is changing its plans, focusing on producing more diesel products and less gasoline.

Brian Dalton, director of the Newfoundland and Labrador Refining Corp., which wants to build and run the refinery, said a report from consultant KBC suggests that the company move towards producing more ultra low-sulfur diesel and jet fuel.

Considering a weakening demand for gasoline and a worldwide switch to diesel fuels, Dalton said the company agreed to make the change.

"The market outlook for gasoline is poor," he said.

Dalton said the weakening market

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**Brian Dalton, director,
NL Refining Corp.**

is due to a switch in Europe from gasoline automobiles to diesel. As a result, there is a glut in gas that spills over into North American markets.

"Europe has a real problem. They're extremely short on diesel," he said.

The company had always intended to produce about twice as much diesel as gasoline, said Dalton. It has now decided to increase that ratio.

"It will certainly look better longer term," he said.

The required changes to the refinery will likely postpone the project by

several months beyond the late 2011 or early 2012 start dates, Dalton said.

The director also noted that financial pressures, coming out of what looks like an economic recession in the U.S., is also affecting the company's ability to accrue capital needed for the project. Those international forces may have adverse affects of the project, said Dalton.

"If it were today, going out raising the capital, putting the project into kick-start mode, it literally would not be there today," he said, noting that big lenders such as banks are going through a rough time due to the credit crunch coming out of the housing markets in the states.

However, he said he believes the money will be there in the future, as financial pressures ease.

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