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PUBLICATION:

The Independent – St. John's, NL

DATE:

June 27, 2008

Page: 7

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'We're trying'

NLRC director Dalton says new refinery still possible

By **Ivan Morgan**
The Independent

The director of a financially troubled company hoping to build a new oil refinery in Placentia Bay says oil refineries in North America and Europe are in trouble, which is why it's a good idea to build one.

In an interview with *The Independent* June 18 — two days before Newfoundland and Labrador Refining Corp. was forced to seek bankruptcy protection from its creditors — Brian Dalton spoke about the challenges of starting a refinery in today's market.

He says the refining sector is "broken," with little investment in the sector for "way too long."

He says the last six months have been "particularly difficult" for refiners as the price of oil has shot up.

"Most refiners in North America have not made money in six months," Dalton says, adding refineries are the only true purchasers of crude.

Before it is resold, the crude must be processed, and with their own energy costs up, as well as the cost of "practically everything else involved in the refining process," refineries are feeling the pinch.

"They're really getting creamed," says Dalton.

He says oil companies are making all the money.

NLRC's initial plans had construction of the project starting this summer, but American financing for the initiative fell through, prompting the company to seek financing elsewhere.

Granted a court-ordered 30-day reprieve from creditors June 25, Dalton continues to seek financing for a multibillion-dollar project that would see the company build an oil refinery near Placentia Bay, refining upwards of 300,000 barrels of oil a day. The project could create 3,000 construction jobs, plus another 1,000 permanent jobs to run the facility.

The courts could grant more time for the company — which is now seeking investors in the Middle East and Asia — to secure new financing. And despite all the gloom and doom, Dalton says it is a good time to build a refinery.

He says NLRC was "lucky" because three years ago they identified diesel as a product for which there would be a growing demand — especially in Europe. He says their bet was right, and if the refinery were running today, based on their projections they would be way ahead of other North American refineries.

"We'd be the stars of the moment."

But, as he notes, that is "obviously" not the case.

With creditors at the door, Dalton is trying to sell a plan he says no one has found fault with to date.

"We're never challenged on the economic fundamentals of the project."

Asked what the company is challenged on, Dalton answers "everything else," citing escalating capital costs such as the price of steel, workers for the project and the ability to set financial timelines.

With some of the project's hurdles already overcome, such as an environmental assessment and labour agreements, Dalton says financing is the next challenge.

Two days before creditors ramped up the pressure on NLRC, Dalton was optimistic about securing money for the project.

He says the company sees opportunity.

"If you hit those windows right — and everything has to come together ... short-term economic fundamentals, market conditions — you can create really good businesses in those long cycle holes and windows."

But he says it is a tricky process.

"But who knows? We're trying."

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