

Albertans firmly in favour of increased energy processing

Alberta's Industrial Heartland (July 2, 2014) – Over 90% of Albertans support efforts to increase value added processing of our oil and natural gas resources in Alberta. A telephone survey of 601 Albertans was conducted between June 6 and 22 by Return On Insight (ROI) for Alberta's Industrial Heartland Association (AIHA) exploring awareness and attitudes towards oil and gas value added processing.

When asked about specific policies to help increase value adding, 86% supported creating a natural gas strategy to process natural gas and gas by-products. There was also support for a range of policy options including government investment with industry partners (72%), tax incentives to encourage building value added facilities (70%) and reducing royalties for companies that process resources into value added products in Alberta (60%).

“Albertans’ appetite for government action to set processing targets and develop policies to increase refining capacity stems from two things: a desire to find new environmental solutions, and a belief in the need to diversify the economy by adding value to the raw products we are extracting,” explains ROI President Bruce Cameron.

Poll respondents also believe it is important for Alberta to create new internal markets for products like plastics and petrochemicals (86%), generate new industries and higher revenue through value adding (89%), diversify the economy to include more processing (93%), and most importantly, find better ways of oil and gas processing that reduce the environmental impact (97%).

“This poll demonstrates Albertans strongly support policies encouraging more value added energy processing as a way to improve our environmental performance,” comments Wayne Woldanski, Chair of AIHA. “The Heartland is fortunate to have several value added projects already operating or under construction that will reduce CO₂ emissions by a combined 16.2 million tonnes annually.”

Alberta is Canada's leader in hydrocarbon processing and petrochemical development, with the bulk of activities in Alberta's Industrial Heartland, northeast of Edmonton. With more than \$20 billion in current or announced projects in the region, Alberta is poised to be a world leader in energy processing.

“The global investment cycle for new petrochemical and hydrocarbon processing is on the upswing; however, the window of opportunity for Alberta will not remain open forever,” comments Neil Shelly, Executive Director of AIHA. “We encourage the Government of Alberta to move forward with its natural gas strategy and other policies to take advantage of the positive investment cycle. This poll clearly shows Albertans are in favour of the government taking a leadership role.”

The poll supports the Alberta Plus (www.albertaenergyplus.ca) initiative to promote awareness and benefits of value added processing of the province's energy resources. Its primary members include Alberta's Industrial Heartland Association, Agrium, Enhance Energy, North West Redwater Partnership, Nova Chemicals and Williams Energy Canada.

For more information about the poll or Alberta's Industrial Heartland Association, visit www.industrialheartland.com or follow us on Twitter and Facebook.

Alberta's Industrial Heartland Association is a cooperative effort of the Counties of Lamont, Strathcona, Sturgeon, and the Cities of Edmonton and Fort Saskatchewan. The Association is dedicated to coordinating, advocating, and promoting long-term sustainable development of the Heartland.

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Backgrounder: Alberta's Value-added Potential

Alberta's Industrial Heartland is Canada's largest hydrocarbon processing centre, home to 15 world scale facilities and over 40 companies. The region is a major hub for petroleum refining, petrochemical manufacturing and bitumen upgrading. The Heartland is also a key strategic link in Alberta's energy logistics chain with multiple oil and gas pipelines, fractionation facilities and oil terminals. A major engine of Alberta's and Canada's economy, the Heartland employs an estimated 25,000 Albertans (includes permanent, contract and temporary staff).

OVERVIEW OF ALBERTA'S INDUSTRIAL HEARTLAND ASSOCIATION

Alberta's Industrial Heartland Association (AIHA) is a cooperative effort of eight municipalities in the greater Edmonton region dedicated to sustainable development in Alberta's Industrial Heartland. The Association promotes investment in a variety of sectors, including the hydrocarbon value chain, to investors from around the globe. AIHA works closely with other government and industry related organizations to plan for incoming growth.

GROWTH OPPORTUNITIES

As the major centre for Alberta's midstream and downstream energy sectors, the Heartland holds enormous potential for expanding and diversifying Alberta's economy. This growth includes opportunities from the increasing supply of oil sands bitumen as well as from expanding supplies of natural gas and natural gas liquids from shale gas development in western Canada.

In the past year, AIHA hosted delegations from 15 separate international companies interested in investing in Alberta's petrochemical industry. The main areas companies are investigating include:

- Partial Bitumen Upgrading
- Fertilizer (Area and Ammonia)
- Methanol
- Ethylene based petrochemical (Polyethylene, Mono Ethylene Glycol)
- Propane based petrochemicals (Polypropylene and Propylene Glycol)

BENEFITS TO ALBERTA

Expanding the downstream component of Alberta's energy sector will help maximize the value of our natural resources and provide multiple benefits to our province in four main ways.

1. Economic diversification

The downstream industry helps diversify Alberta's economy by partially counter balancing swings related to commodity oil and gas prices. For example, when gas prices are low, downstream industries utilizing gas for feedstock flourish. This acts to dampen the boom and bust cycles that are common with Alberta's economy.

2. Creating new markets at home

Encouraging new downstream industries will assist in creating markets here in Alberta for our energy resources. For example, the proposed Sasol gas-to-liquids project will utilize about 1 billion cubic feet of natural gas per day. This would be a new and significant market for Alberta's natural gas that is independent of other governments and export systems.

3. New forms of government revenue

A recently completed study by the University of Calgary conservatively estimates that expanding the downstream industry in Alberta would create over \$650 million a year in provincial corporate income taxes. This new source of revenue would be independent of traditional energy royalties and would constitute a significant part of Alberta's economic future.

4. Environmental leadership

By processing our energy resources in Alberta, we have the opportunity to further our leadership in environmental stewardship. Projects such as carbon capture and storage (CCS) as well as capturing "off-gases" from upgraders and refining operations reduce Alberta's carbon footprint by millions of tonnes per year and helps decrease the overall carbon intensity of our energy production.

CHALLENGES

While there is significant global investment interest in Alberta's downstream sector, challenges do exist. One of the most significant is cost inflationary pressures driven mainly by oil sands development. This makes investing in major capital projects in Alberta more costly than competing jurisdictions.

Additionally, other regions in the world vying for this wave of global investment are providing major "incentives" to encourage company investment. For example, the State of Louisiana recently provided a subsidy package of nearly \$2 billion to Sasol for their proposed investment.

RECOMMENDED GOVERNMENT ACTIONS

Alberta is poised to become a true global leader in energy production and processing. The Government of Alberta must recognize this opportunity and enact programs and policies to turn potential into reality. Alberta has a history of programs that have successfully helped transform the industry and province. The original ethane extraction program instituted by then Premier Lougheed was a vital catalyst in the growth of the petrochemical industry in Alberta; additionally, the generic oil sands royalty policy enhanced the potential of our oil sands resources.

As a province, it is crucial to ensure the importance of the downstream industry is recognized and included in any comprehensive energy strategy developed for Alberta and Canada.

Policy options are currently being reviewed by various departments within the Alberta Government. These reviews will outline options that can be utilized as well as the costs and benefits to the province.

Alberta's next provincial leader must make this issue a priority, review the policy options and act quickly to ensure we capture the investment opportunities before they pass us by.