

COURTAINS OF TRUTH YOU NEVER CLIMB



Man of Steel

Ian MacGregor's refinery dream bucks a negative oil sands trend

By Darren Campbell

In February, Ian MacGregor brought his 89-year-old mother, Anna, and his 24-year-old son, Alex, to a press conference where he played a starring role in announcing a deal that will see a refinery built in Redwater, Alberta, to process 50,000 barrels a day of bitumen.

For MacGregor, chairman of North West Upgrading Inc. – the Calgary-based company that has been advancing this project since 2004 – bringing family to an event that represented one of the more significant achievements of his 30-year career was a nod to the province's past and its future. >>

"I see myself as part of a chain of Albertans. We work hard and take advantage of opportunities," MacGregor says. "I'm proud of what we have accomplished and I knew my mom would be too. I also wanted my son to see that a regular Albertan from a working class background can do world-scale projects. I wanted him to see his part in the chain."

World scale is a term that certainly applies to the refinery, which now goes by the name of the North West Redwater Partnership. The refinery will be built, operated and managed by North West Upgrading and oil sands player Canadian Natural Resources Ltd. (CNRL). The initial 50,000 barrels per day (bpd) of bitumen will come from the Alberta government (37,500 bpd) through its bitumen royalty in-kind program, plus another 12,500 bpd from CNRL. The Alberta government and CNRL have committed to provide the bitumen to the refinery for 30 years.

Construction of the 50,000 bpd refinery, which is expected to start in early 2012, is just the first phase of a potential three-phase project that could see 150,000 bpd of bitumen refined at the facility. The estimated cost of the three phases is \$15 billion.

Phase 1 is expected to be completed by 2014. It would produce 36,000 bpd of ultra-low-sulfur diesel gasoline, 18,000 bpd of naphtha and 14,000 bpd of diluent. On-site construction, equipment fabrication at shops and mod-yard fabrication will create 8,000 jobs.

The project could also have substantial environmental benefits. For example, 1.27 million tonnes of carbon dioxide (CO₂) produced by the Redwater refinery each year will not be emitted into the atmosphere. Instead it will be shipped via the 240-kilometer Alberta Carbon Trunk Line to east-central Alberta where it will be used to recover additional oil from conventional fields there.

While the ultimate economic and environmental impact of the project can be de-

bated, there is no denying that MacGregor and his company have reversed, at least in one instance, a disturbing trend in Alberta's oil sands sector. As more companies look to extract Alberta's bitumen riches, less of them plan to upgrade the resource within the province.

Building a project that would maximize the value Albertans get from the province's 169.9 billion barrels of oil sands reserves was front of mind when MacGregor helped form North West Upgrading with a group of other Alberta oil industry veterans. "Our basic premise was Alberta is the second-largest proven oil reserves owner and of those reserves, the vast majority are bitumen-like," MacGregor says. "We figured that oil is going to come out of the ground somehow. We wanted to develop the new high value industries that will provide increased revenues and jobs for all Albertans rather than exporting our potential south."

Instead of exporting potential, the refinery will be selling needed products like naphtha and diesel fuel. MacGregor says the low sulfur diesel the refinery will produce can be shipped and sold not just to Albertans and North American customers, but all over the world. MacGregor points out that the demand for diesel fuel in countries like China and India is growing. It makes sense for Alberta to refine these products from its bitumen and reap the job benefits and revenues that come from it.

That's the theory, anyway. Although the Northwest project has always made sense to MacGregor, it has been a difficult journey to turn the refinery from a dream to a reality. When North West Upgrading started pursuing the project in 2004, the oil and gas industry in Alberta was entering a boom period. As oil reached the lofty heights of US\$147 a barrel in the summer of 2008, companies were lining up to advance oil sands projects in the province.

But the economic downturn of 2008-2009 halted much of that activity and



THE REDWATER PLANT WON'T BE MACGREGOR'S SWAN SONG: "I'M GOING TO KEEP BUILDING STUFF"

North West Upgrading's project did not emerge unscathed. The first phase was originally slated to be built in the spring of 2008 but was delayed during the economic meltdown.

However, MacGregor didn't give up. His years of experience in the oil patch, which includes founding and co-founding businesses like Abax Energy Services Ltd., an oilfield engineering and construction company; gave him the makeup to weather the industry's periodic ups and downs.

Neil Shelly, executive director of Alberta's Industrial Heartland Association, a non-profit organization that has been lobbying for a greater share of bitumen upgrading to be done in the province, says MacGregor deserves a great deal of credit for keeping the project alive during the tough times. "When other people were saying, 'Let's just give up on this and walk away,' he stuck to his guns and principles. A lesser individual would have thrown in the towel."

MacGregor insists there was never any chance of that happening. A passion for Alberta and for advancing projects that can provide a prosperous tomorrow for future generations is what got this 61-year-old lifelong Calgarian involved in the project in the first place. And at an age when others are thinking about retirement, MacGregor insists the Redwater refinery won't be his swan song. "I believe in the Freedom 85 principle. My life has been about building things and I want the process to continue. I'm going to keep building stuff." AO