

Made-in-Alberta plan moves \$2 billion investment forward

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Premier Rachel Notley's Made-in-Alberta energy strategy is taking a major step forward in diversifying the economy, creating new jobs and adding more value to our resources.

Calgary-based Value Creation Inc. (VCI), and its wholly-owned subsidiary Value Chain Solutions Inc., is on track to invest \$2 billion in an upgrading facility in the Alberta Industrial Heartland, just east of Edmonton, which will create more than 2,000 construction jobs and another 200 full-time positions once the facility is up and running.

This is just the first of several new projects made possible through the Made-in-Alberta strategy to do more upgrading and refining of the province's oil and gas resources here at home.

"We're taking the bull by the horns and fighting to get full value our oil. Albertans have been talking about this for decades, and we're not content to sit on the sidelines and let good jobs and investment pass Alberta by for places like Louisiana. That has happened for too long and it has got to stop. We're making sure the next generation of Albertans has the opportunities they deserve in a stronger, more resilient, more diversified province."
Rachel Notley, Premier

VCI's leading-edge facility will upgrade diluted oil sands bitumen into a higher-value crude blend that can flow easier through pipelines. This provides significant cost savings to industry because it would reduce the need for diluent, while increasing pipeline capacity by up to 30 per cent, and providing access to more refineries around the world that cannot currently accept Alberta's oil sands bitumen.

The partial upgrading technology is expected to reduce GHG emissions by 16 per cent per barrel compared to current processes used to extract bitumen.

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"We here at Value Creation Inc. and Value Chain Solutions Inc. look forward to building upon Premier Rachel Notley's vision of diversifying our energy markets and maximizing the value of the resources owned by Albertans. Our project is going to create good, long-term jobs with game-changing technology for low-cost upgrading and strong environmental performance."

Columba Yeung, chairman and CEO, Value Creation Inc. and Value Chain Solutions Inc.

Through a letter of intent, the province has agreed to support the project through a \$440 million loan guarantee, subject to reaching a final agreement. In all, Alberta is providing more than \$3 billion in support for crude-oil and bitumen partial upgrading and petrochemical upgrading, which turns Alberta natural gas into higher value products like plastics.

"This government's Made-in-Alberta upgrading program is a crucial element to ensuring these value-add investments happen in Alberta. Alberta's Industrial Heartland is a key economic driver of the province's economy, with potential for \$30 billion in new investment by 2030. Upgrading more of our resources here at home means more jobs and more investment in our local communities, with new value chains that will help diversify our economy for generations to come."

Mark Plamondon, executive director, Alberta's Industrial Heartland Association

Construction of the Strathcona County-based project is already underway, with some foundational infrastructure in place and design work nearly completed. The plant is expected to be operational in 2022. Once completed, this would be the first commercial-scale partial upgrader in the world using this new technology, which VCI has been developing over several years.

VCI's facility is just the first of others to be announced under Premier Notley's Made-in-Alberta strategy, which is focused on creating jobs, adding value to our energy resources and exporting our products to new markets. This plan is at the heart of diversifying Alberta's energy sector and making sure we get full value for the resources owned by all Albertans.

VCI project background

- The first phase of the Value Chain Solutions – Heartland Complex (VCS-H) will use 77,500 barrels-per-day (bpd) of diluted bitumen to produce a medium synthetic crude oil and an ultra low sulfur diesel, which is a cleaner-burning transportation fuel used here at home and around the world.
- Founded in 1999 and based in Calgary, Value Creation Inc. has nearly 1,200 square kilometres of oil sands land holdings in Alberta.
- The company has developed a plan to engage with Indigenous communities across the region for employment, contracting and long-term alliance opportunities.
- VCI's technology is expected to help reduce greenhouse gas (GHG) emissions by up to 16 per cent compared to current processes. This is the equivalent to cutting 620,000 tonnes of harmful emissions per year, or removing 135,000 cars from the road.
- The project is expected to generate approximately \$2.5 billion in revenue to the province over the 30-year life of the project.
- Strathcona County is expected to receive approximately \$280 million in municipal tax revenue over the life of the project.

Made-in-Alberta energy strategy

Partial upgrading of bitumen

- \$1 billion in grants and loan guarantees to encourage companies to build bitumen upgrading facilities to:
 - increase the value of our energy resources before shipping
 - allow more volume to be shipped through pipelines
- Partial upgrading reduces the thickness of oil sands bitumen so it can flow through pipelines more easily, without having to be blended with diluent, or as much diluent, a thinning agent. Benefits include:
 - higher prices for our resources
 - more access to international markets
 - cost savings on diluent for industry
 - less emissions by removing high carbon content
- Partial upgrading is cheaper to do than full upgrading because it requires less processing.
- In 2016, oil sands companies in Alberta purchased \$13.3 billion worth of diluent, much of it imported.
- Bitumen that goes to market without upgrading or refining has historically been sold at lower prices compared to other crude oils.
 - Partial upgrading could help reduce this discount by improving the quality of the product and increasing the number of refineries capable of processing it.

Petrochemical upgrading

- Total support will now reach \$2.1 billion to unlock about \$20 billion in private sector investment.
- This would help create as many as 15,500 jobs during construction of multiple petrochemical facilities across the province.
- Inter Pipeline's Heartland Petrochemical Complex is already under construction as a result of this program:
 - \$3.5 billion private investment
 - 2,300 construction jobs, 180 operational jobs
 - The complex processes propane into plastic pellets called polypropylene, which is used around the world making kids' toys, electronics and automotive parts.