May 2, 2017

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: FIN-23-2017]

On March 31, 2017, the Department of Finance received the following request for access to information:

“A copy of the briefing materials for the meeting with Silverpeak/NARL.”

The Department of Finance is pleased to inform you that your request has been granted in part and the following is noted in the preparation of this response:

- Some information is considered Policy Advice or Recommendations and has been severed pursuant to section 29.1(a) of the Access to Information and Protection of Privacy Act, 2015 (ATIPPA).

- Some information is considered Harmful to business interests of a third party and has been severed pursuant to section 39.2 of the Access to Information and Protection of Privacy Act, 2015.

- Additional information regarding the exceptions to disclosure applied above (sections 29 and 39 of ATIPPA) are available online at:
  http://www.assembly.nl.ca/Legislation/sr/statutes/a01-2.htm

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the Access to Information and Protection of Privacy Act (the Act). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. The address and contact information of the Information and Privacy Commissioner is as follows:
You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

Please be advised that responsive records will be published following a 72 hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please feel free to contact the undersigned by telephone at 709-729-2082, or by email at bethbartlett@gov.nl.ca.

Sincerely,

Beth Bartlett  
ATIPP Coordinator

Attachment
Meeting Note  
Department of Finance  
Silverpeak/North Atlantic Refining Limited (NARL)  
February 28, 2017  
5:30pm to 6:15pm  
Minister Finance Boardroom

Attendees: Silverpeak/NARL:  
Kaushik Amin, President North Atlantic  
Bruce Avery, Chief Financial Officer, North Atlantic  
Jon Ruggles, Director of Refining, North Atlantic  
Jamie Beach, Head of HSE, North Atlantic  
Tim Derksen, Senior Strategy Analyst, Economics and Policy, North Atlantic  

NL:  
Minister Cathy Bennett & officials  
Minister Siobhan Coady & officials  
Minister Perry Trimper & officials

Purpose of Meeting:

- Mr. Kaushik Amin of Silverpeak/NARL has requested a meeting to discuss: 1) impacts of the elimination of the Provincial Manufacturing and Processing Tax Credit; 2) potential impacts of carbon pricing; and 3) a proposed “Border Tax” by the current US administration and potential impacts on NARL operations.

Background:

- SilverRange Financial Partners (a subsidiary of Silverpeak) acquired NARL from Harvest Operations Corp in November 2014. Harvest had experienced successive years of financial losses prior to the sale. Currently, NARL is operated as two companies including:
  
  o NARL Refining LP: Operates the oil refinery at Come By Chance. The site includes process facilities, crude oil and refined product storage tanks as well as a deep water wharf and jetty facilities for tanker loading/offloading. The Marine division manages vessel traffic, oil spill risk prevention/mitigation and other related matters. The majority of the Refinery output is exported to international markets with about 10 per cent to 15 per cent, on average annually, sold in Newfoundland and Labrador; and
  
  o NARL Marketing LP: Marketing/retail operations in Newfoundland and Labrador includes retail marketing of automotive fuels, three cardlock storage/distribution locations, various bulk plant storage facilities, wholesale/commercial marketing and distribution of fuels and home heating fuel sales and service. The marketing head office is in St. John’s.

- The owner’s business plan for the Refinery following acquisition was to address various operational/reliability issues through capital investments, a switch to lighter low sulphur crude oil and a two year supply-offtake agreement with BP. It also planned to utilize butane more, where economic to do so, as a refinery fuel and as a product blend stock. It completed debottlenecking and efficiency improvement projects in October 2016 to improve reliability, enhance margins and increase capacity throughput to support refinery competitiveness and long term sustainability. NARL’s supply-offtake arrangement with BP concluded on January 1, 2017.
Since acquisition in November 2014, NARL has advised that an investment has been made in the Refinery towards improving operations and efficiency, including investment in 2016 to increase daily throughput capability from 115,000 barrels per day (bpd) to 130,000 bpd. This expansion was contemplated since acquisition and is intended to support competitiveness.

The Refinery is disadvantaged in terms of energy costs compared to other North American refineries that have access to natural gas which is cheaper and has lower carbon emissions compared to Bunker C. The Refinery’s energy requirements are met by electricity purchased from Newfoundland and Labrador Hydro as well as Bunker C and other fuel oils and gaseous fuels like butane.

On December 16, 2016, NARL management gave a local media briefing on refinery operations and challenges including highlights of some higher NARL refinery costs (labour and fuel) relative to competitors, as well as concerns with carbon pricing in Canada. A key message was the Refinery is working to control costs at a time when it is facing increasing cost pressures and the refining sector continues to face rationalization challenges.

On November 9, 2016, NARL announced that it would be reducing its refinery workforce by 128 positions including 107 union positions and 21 non-union staff positions. The 21 non-union layoffs occurred in late 2016. Regarding the union positions, 103 of the 107 job reductions are scheduled to occur on March 9, 2017 with up to four union layoffs implemented in January 2017. As part of this workforce initiative, NARL has offered retirement packages to qualifying employees as a means to minimize the number of unionized workers that could be impacted by layoffs. NARL is continuing discussions with the union and workers. In 2017, NARL expects to have in the range of 450 employees (excluding contractors) at the refinery.

Agenda Item #1 – Elimination of the Provincial Manufacturing and Processing Tax Credit

- Budget 2016 eliminated the Manufacturing and Processing (M&P) Profits Tax Credit. The credit reduced the corporate income tax rate paid on M&P to 5 per cent (i.e. a 9 per cent credit was applied to Canadian M&P profits).

- NARL has raised concerns with the impact that the elimination of the credit is having on their operations. Specifically, they have raised issues that they have invested significant funds in the refinery over the last several years, only to have the tax change after that investment. NARL further claims that they were lobbied by Government to purchase the refinery at that time and such a significant tax change appears to be a “bait and switch”. Representatives have requested that the decision of the elimination of the credit be reversed and in the absence of such reversal they have requested that NARL be “kept whole” through some other mechanism.

Analysis:

- As part of Budget 2016 preparations, tax credits were examined to determine the potential for elimination to generate additional revenue due to the significant deficit facing the province. Corporate income tax data for the 2012-2014 tax years was reviewed and the total number of claims with the total value of the credits is shown in the table below:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Number of Claims</th>
<th>Total Credits Claimed</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>100</td>
<td>$7.04 million</td>
</tr>
<tr>
<td>2013</td>
<td>110</td>
<td>$8.04 million</td>
</tr>
</tbody>
</table>
For 2014, of those that claimed the credit, 22 companies claimed credits greater than $100,000. The value of the credits range from $1 to $587,187 with an average of $56,627. The industries of companies that claimed the credit vary widely from fishing and mining, to breweries and food service.

The M&P credit is profit sensitive. The increased cost to a company depends on that company’s taxable income.

Proposed Action:
- Advise that Finance will consult with NARL as part of the tax review and consider their circumstances in the analysis accompanying that review.

**Agenda Item #2 – Potential impacts of Carbon Pricing**

- On October 3, 2016, the Federal Government announced a carbon pricing framework for greenhouse gas (GHG) emissions in Canada. The framework provided for the Federal Government to apply a carbon price on emissions of $10/tonne in 2018 increasing by $10/tonne per year to $50/tonne by 2022 if provinces and territories (PT) did not have their own equivalent system in place. PT’s have the flexibility to implement a program that either puts a price on carbon pollution or adopts a cap-and-trade system.

- On December 9, 2016, Government adopted the federal/provincial/territorial (FPT) Pan-Canadian Framework on Clean Growth and Climate Change which reaffirmed its commitment to tackle climate change and its intention to develop its own “made-in-NL” approach to implement a carbon price consistent with the October 3 federal announcement on carbon pricing.

- The province passed the Management of Greenhouse Gas Act (Act) in June 2016. This Act will regulate GHG emissions from large industrial facilities, such as NARL, which contrasts to the proposed federal approach to apply a carbon tax on fuel consumption. NARL was consulted on

| Year | Companies | Credits
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td>122</td>
<td>$6.91 million</td>
</tr>
</tbody>
</table>
four occasions between 2009 and 2015 prior to the introduction of this Act in the House of Assembly, and provided a press release quote in support of the Act at the time of its introduction.

- GHG emissions from NARL Refining LP will be regulated under this Act in the future; however, the Act would not extend coverage, based on current provisions, to NARL Marketing LP. Fuel consumption for both companies are included under the provisions of the federal carbon tax.

- The Office of Climate Change (OCC) maintains an open dialogue with NARL on carbon pricing matters. Officials last met with NARL to discuss carbon pricing on January 12, 2017. Minister Trimper has also written to NARL on this matter, most recently on January 4, 2017.

Analysis:

- OCC continues with ongoing discussions with the Federal Government to better understand the scope of the federal carbon pricing measures as well as whether the provincial Act may meet the new federal guidelines. OCC is also working with other provincial government departments, including FIN, NR and IGA, to further analyze the impacts of these federal measures on the provincial economy.

- NARL has indicated that it has significant concerns with the proposed carbon pricing measures including:
  - Implementation of a federal carbon tax would cause NARL to rethink the Refinery business model and may jeopardize operations;
  - The Refinery has no access to natural gas like other global refiners which puts it at a disadvantage in terms of carbon costs;
  - Competitiveness issues would exist for the Refinery as it is primarily an export operation and it does not have pass-through mechanisms for federal or provincial carbon pricing costs incurred to its international market customers;
  - Significant investments in the Refinery have been made since its acquisition in late 2014 including projects that have helped reduce GHG emissions.
  - Carbon pricing initiatives should be tax neutral (i.e., any carbon costs incurred would be returned to them through lower taxation elsewhere) and avoid any double federal and provincial regulation;
  - This will add costs and risks to the Refinery as it transitions to a merchant operation in 2017 and coincides with expected tighter refining margins;
  - The fact that Government has not publicly outlined its precise approach in response to a federal carbon tax in the context that there is only 11 months remaining until the intended 2018 start date for the federal carbon tax. This is impeding their ability to undertake long term planning; and
NARL has indicated that it currently pays a US-imposed tax on its petroleum products exports into the US under the Renewable Identification Number (RINs) program. NARL argues that to pay a Canadian carbon tax would, in its view, result in double taxation for the same or similar policy goal.

Proposed Action:
- FIN will continue to work with NARL, NR and ECC.

Agenda Item #3 – Proposed “Border Tax” by the current US administration

- In its most recent correspondence and meetings with FIN, NR and OCC, NARL has raised concerns with respect to existing and proposed “Border Tax” by the current US administration.

Currently, other than local retail distribution in this province, NARL’s product is shipped to the US market.

NARL has raised as a key point that this proposal would almost certainly violate NAFTA and WTO rules, and so Canada should be lobbying vehemently against it.

Proposed Action:
- No proposed actions at this time.

Prepared/Approved by: C. Martin/
Ministerial Approval: February 27, 2017
Attachment 1 – Biographies

Kaushik Amin
Silverpeak

Kaushik Amin is a managing member and partner of Silverpeak, responsible for overseeing the energy and commodities activities of the firm. Prior to joining Silverpeak, Mr. Amin was Head of FICC Americas at UBS where he was responsible for the fixed income business that produced approximately $2 billion a year in revenue for the firm. Prior to his role at UBS, Mr. Amin was Chief Executive Officer of RBS Sempra Comdities where he led over 1000 employees focused on commodities trading.

Prior to joining RBS Sempra Commodities, Mr. Amin was Global Head of Liquid Markets (Rates, FX, Emerging Markets, Commodities and Proprietary Trading) at Lehman Brothers where he organically built Lehman’s proprietary trading and global commodities businesses. Mr. Amin holds a Bachelor of Technology in Mechanical Engineering from the Indian Institute of Technology, Mumbai, and a Ph. D. in Finance from Cornell University. He was on the finance faculty at the University of Michigan from 1989 to 1994, with research and teaching interests in asset pricing, derivatives and financial markets.

Bruce Avery
Controller Corporate
North Atlantic Refining LP

Jon Ruggles, Director of Refining
North Atlantic Refining LP

Mr. Ruggles is a senior leader in the refining and chemicals sectors. Currently, he is the Director of Refining for North Atlantic’s 130,000 barrel-per-day crude oil refinery in Come By Chance, Newfoundland. Previously, he was assisting The Carlyle Group in developing its structured investment business in energy into a multi-billion dollar portfolio. Prior to Carlyle, he was the President of Monroe Energy, the refining subsidiary of Delta Air Lines, in addition to running the company’s fuel function.

Mr. Ruggles has been a senior manager at three different refineries, a worldscale olefins cracker and a large polymers plant. Apart from technical roles, Jon has also been an investment banker at Merrill Lynch Commodities, and an oil trader at Trafigura AG, ConocoPhillips and Exxon. Jon also worked as a consultant in refining and chemicals at McKinsey & Company.

Mr. Ruggles earned an MBA from the University of Texas at Austin where he also earned an undergraduate degree. His college studies focused on petroleum engineering, finance, and history. He is also a veteran of the US Army, having served stateside and in South Korea.

Jamie Beach, VP
Health, Safety, Security and Environment
North Atlantic Refining LP

With nearly 20 years of commitment to North Atlantic, Jamie has advanced his career in refining from Safety Supervisor to his current position as Vice President of Health, Safety, Security, and Environment.
Jamie holds a NFPA Level III Firefighter Certification through Oklahoma State University, a Certificate in Fire Service Leadership from Dalhousie University, and a Certificate in Risk Management from Memorial University. He has also earned his CRSP designation issued by the Board of Canadian Registered Safety Professionals and a Canadian Risk Management (CRM) designation issued by the Global Risk Management Institute.

Tim Derksen
Senior Strategy Analyst, Economics and Policy,
North Atlantic LP
Mr. Derksen is currently Senior Strategy Analyst, Economics and Policy at North Atlantic Refining Limited (NARL Refining, LP).

Prior to this role at North Atlantic, Mr. Derksen served as a Business Development Intern at Knix Wear in 2015 where he forecasted demand for both wholesale and ecommerce goods developing an operations strategy to improve supply chain management.

From 2010-to 2013, Mr. Derksen was a mining engineer with Canadian Natural Resources.

Mr. Derksen is an MBA Graduate at Rotman School of Management, University of Toronto.