February 4, 2019

Dear [Name]

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act (File # NR-07-2019)

On January 22, 2019, the Department of Natural Resources received your request for access to the following records/information:

**BN: Meeting with NARL (from December 2018)**

I am pleased to inform you that a decision has been made by the Department of Natural Resources, confirmed by the Deputy Minister, to provide access to the requested records. The records are attached.

We are providing access to the most information possible but have made redactions in accordance with Sections 29(1)(a), 34(1)(a)(i), 35(1)(d), and 35(1)(g) of ATIPPA, 2015 as follows:

29. (1)(a) The head of a public body may refuse to disclose to an applicant information that would reveal advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister;

34. (1)(a)(i) The head of a public body may refuse to disclose information to an applicant if the disclosure could reasonably be expected to harm the conduct by the government of the province of relations between that government and the following or their agencies: the government of Canada or a province,
Meeting Note
Department of Natural Resources
North Atlantic Refining Limited (NARL)
December 19, 2018 12:30 pm – 1:30 pm
Minister’s Boardroom

Attendees: NARL:
Thomas Jenke, Chief Operating Officer, NARL Refining LP
Gary Anstey, Principal Consultant, Anstey and Associates
See Annex 1 for biographies.

Natural Resources:
Minister Siobhan Coady
Keith White

Purpose of Meeting:
• NARL officials requested this meeting. Two issues that have been identified for discussion including 1) refinery operations and expansion opportunities, and 2) the clean fuel standard.

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 and had been actively trying to sell NARL since 2013. 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 refinery employs approximately 450 full time employees although total employment fluctuates, including utilization of contract and temporary workers.
  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.

Agenda Item #1 – Refinery Operations and Expansion Opportunities
• Since acquisition in late 2014, NARL advises that the owners have made investments to address various operational/reliability issues at the Refinery as well as switched to light sweet (lower sulphur) crude oil feedstock. In addition to imported global crudes like WTI, the Refinery has been purchasing and refining Newfoundland and Labrador crude oil which is similar to Brent light sweet crude. NARL notes that the owners continue to focus on opportunities to improve Refinery efficiencies, competitiveness and long term sustainability.
Analysis:

- NARL advises that since acquisition in November 2014, approximately 115,000 barrels per day (bpd) to 130,000 bpd has been invested in the Refinery to improve operations and efficiency, including work in 2016 to improve the crude unit and increase maximum capacity throughput from 115,000 barrels per day (bpd) to 130,000 bpd.

- Since 2017, the Refinery has operated as an independent merchant plant, taking on more market risk than under the two year BP supply-offtake arrangement (ended on January 1, 2017) when the majority of its refining margins from product sales were fixed and guaranteed. The BP arrangement helped support the transition from acquisition in late 2014, although there were contractual disputes resulting in arbitration and legal actions.

- Key focus areas for the Refinery include refining margins (the difference between the value of crude oil and refined petroleum products to cover operating costs and profit), facility costs (including labour, energy and taxes), efficiencies, and competitiveness.

- In 2016, NARL announced a Refinery workforce reduction of 128 positions including 21 non-union positions and 107 union positions (subsequently 80 union workers were impacted in March 2017). NARL indicated that this action would optimize operational costs and improve its competitiveness given economic conditions and impending regulatory changes.

- The Refinery’s energy costs tend to be higher compared to other North American refineries as it does not have access to cheaper, cleaner natural gas. NARL’s energy requirements are met by purchased electricity as well as fuel oil (with higher GHG emissions compared to natural gas) and liquefied petroleum gas (LPG – butane, propane).

Potential Speaking Points:

- How are the Refinery’s operations? What are the current challenges and risks for NARL’s businesses?

- What are some of the business and investment plans for the Refinery and the marketing/retail business?
• What is the current staffing level at the Refinery and do you anticipate any changes? May wish to inquire about the status of employment and labour relations at the Refinery.

Proposed Action:
• No proposed actions at this time.

Agenda Item #2 – Clean Fuel Standard (CFS)
• Environment and Climate Change Canada (ECCC) is consulting on a Clean Fuel Standard to replace its existing Renewable Fuels Regulations, from which this Province is currently exempt.

• The CFS would effectively require a fuel producer/wholesaler to either purchase credits or blend “clean fuels” with fossil fuels to achieve maximum allowable carbon intensity content in the fuels (thereby reducing fossil fuel CO₂ content prior to sale/consumption in Canada).

• Since announcing the policy in late 2016, ECCC has continued to engage stakeholders about the policy design framework. The current timeline for implementation starts with developing standards for liquid fuels, followed by gaseous and solid fuels together.
  o Liquid Fuels: publish proposed regulations in spring 2019 and final regulations in 2020, with requirements coming into force by 2022
  o Gaseous and Solid Fuels: publish proposed regulations in fall 2020, final regulations in 2021 with requirements coming into force by 2023

• In late 2018, ECCC plans to publish two documents for further engagement including:
  o a regulatory design paper to provide more information on the policy design, including proposed allocation of the 30 million tonne target among the three fuel streams.
  o a cost-benefit analysis framework outlining the proposed analytical approach (models, data and key assumptions) for assessing the costs and benefits of implementation of the CFS for the liquids stream.

Analysis:
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Potential Speaking Points

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Proposed Action:
- NR will continue to dialogue with stakeholders and the Federal Government on the CFS.
Annex 1 – Biographies

Thomas Jenke  
Chief Operating Officer  
NARL Refining LP

Thomas Jenke has been the Chief Operating Officer with NARL Refining LP since January 2018. Mr. Jenke is an experienced managing director with a history of working in the energy sector particularly in the downstream oil and gas industry.

Prior to joining NARL, Mr. Jenke worked with Brunei LNG Sendirian Berhad for nearly five years between 2013 and 2017 in various roles including managing director in 2017. He was the general manager of Shell’s Fredericia Refinery in Denmark from 2007 to 2013. From 2001 to 2007, Mr. Jenke served in various other roles with Shell including general manager distribution in London, area distribution manager in Milan, Italy and an account executive for gas and LNG in the Netherlands.

Mr. Jenke has a PhD in Chemistry from RWTH Aachen University in Germany where he attended from 1980 to 1989. Mr. Jenke speaks five languages including English, German, Danish, Dutch and Italian.

Gary Anstey  
Principal Consultant  
Anstey and Associates

Gary Anstey has an extensive consulting background in resource-based industries. As the President and Principal of Atlantic Perspectives Inc., a consultancy based in Atlantic Canada with a client base that was primarily in the oil and gas, mining and forestry sectors, Mr. Anstey has advised clients on government-related and public policy issues. He has high-level marketing experience as a former Partner and President of Anstey, Pardy, Pelley and Associates (APPA Communications), an award-winning Advertising and Public Relations Firm which merged with Saga Communications to become Bristol Communications, one of Atlantic Canada’s largest full-service agencies. Mr. Anstey also has direct government experience as a former Chief of Staff to the Hon. Brian Tobin in Ottawa.

Mr. Anstey has advised on world class projects including Voisey’s Bay Nickel Co. Ltd., Iron Ore Company of Canada, Hibernia (Petro Canada, Exxon Mobil), White Rose (Husky Energy) and Terra Nova (Petro-Canada). Mr. Anstey currently works with a number of Canadian Mining, Oil and Gas, Forestry and Healthcare industry providers as a Government Relations Advisor.

Mr. Anstey is currently registered with the Office of the Commissioner of Lobbying of Canada as a lobbyist on behalf of North Atlantic Refinery Ltd. Mr. Anstey has been registered in this role since May 5, 2017. Areas of interest include climate change policies and regulations associated with Greenhouse Gas emissions policies and pricing mechanisms that affect the fiscal operation of oil refinery operations as well as regulations and policies that affect the ongoing operations of North Atlantic Refinery Ltd.