

Petrochemicals Diversification Program

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- Up to \$500 million in royalty credits.
- Encourage investment in Alberta's petrochemical industry, specifically methane and propane upgrading.
- Credits paid out over three years after facility begins production.
- Three new facilities, in two projects, approved under the program to be built in Alberta.
- Generate up to 3,700-4,200 jobs during construction and over 240 full-time jobs when the projects are operating.

Building on Alberta's large supply of propane, the Petrochemicals Diversification Program (PDP) capitalized on the growing global demand for related higher value products and promoted greater energy processing right here in Alberta. This helps build a broader petrochemical industry and the related natural gas mid-stream sector while also diversifying Alberta's economy and creating new jobs.

Royalty Credits

While petrochemical facilities do not directly benefit from royalty credits as they do not pay royalties, the credits earned can be traded to an oil or natural gas producer. This producer could use these credits to reduce its royalty payments to offset the cost of extracting natural gas and oil.

The program encouraged companies to invest in value-added facilities in Alberta through financial incentives in the form of royalty credits. Approved projects were selected through a competitive application process.

This incentive program aligns with government's economic growth and diversification plan, which focuses on supporting innovation and diversification to add value, and strengthen and spur growth in a variety of economic sectors.

It also followed advice from the royalty review for a value-added natural gas strategy to support upgrading and production of higher value energy products in Alberta. Once the successful projects are operational Alberta will benefit from a more diverse economy by expanding the province's industrial structure, the products produced, and the markets products reach. Converting natural gas resources to products that are in demand globally will allow us to compete in more markets globally. With a more diverse economy, Alberta will be better protected from low prices of energy commodities like oil and natural gas, helping to ensure economic prosperity for future generations.

Benefits

The new petrochemical facilities that will result from the PDP represent a potential capital investment approaching to \$6 billion to Alberta.

This type of diversification program will create jobs and economic activity that will help to increase and broaden Alberta's tax base over the long term, supporting important services for Albertans such as health care and education.

Many other industry sectors will also benefit from this program, including metal fabrication, engineering, manufacturing, construction, transportation and business services, such as professional, scientific and technical services.

By providing incentives, the program encouraged investment in new processing facilities by helping to offset Alberta's high construction costs and greater distance to markets. This program helps make Alberta's petrochemical industry more competitive with the Gulf Coast and other petrochemical centers around the world.

Fitting into the natural gas value chain

Processing Alberta's natural gas into higher value products, which can be used at home or shipped around the world, allows Alberta to get the most out of developing resources – whether through investment capital, jobs, increased economic activity and exports.

Components of natural gas like propane can be used as feedstock to create building blocks for the manufacture of a variety of consumer products– everything from toys and plastic cups to detergents, textiles, antifreeze and fertilizer.

Projects

Owners: Canada Kuwait Petrochemical Corporation (CKPC)

Facility 1: Propane Dehydrogenation (feedstock for Facility 2)

Facility 2: Polypropylene Complex

Total royalty credit amount: up to \$300 million for the integrated project

- The project, located in Sturgeon County, will result in an estimated \$3.8-4.2 billion of investment in Alberta's petrochemicals sector.
- The complex, could consume approximately 22,000 barrels per day of propane.
- The polypropylene would be transported, in pellet form, to markets across North America and internationally to be converted into automobile plastics, medical supplies, home appliances, as well as numerous other applications.
- Construction is expected to start in 2019, with the facility operating in 2021.
- During the 3.5-year construction phase of the CKPC facilities there will be 2,000 to 2,500 workers on the construction site, with additional jobs in fabrication or module shops and in engineering firms. There will be an additional 150 full time jobs when the project is operating.

Owners: [Inter Pipeline](#) (recently purchased from Williams Energy)

Facility 1: Alberta Propane Dehydrogenation Project

Total royalty credit amount: up to \$200 million

- The \$1.85 billion project will be located in Strathcona County.
- The project will process about 22,000 barrels of propane a day into propylene.
- Propylene is used mainly to produce polypropylene which is a key element in manufacturing plastics. It is also used to make acrylic acid, oxo alcohols and isopropanol.
- Construction is expected to start in 2017, with the facility operating by 2021.
- The four year construction phase of the Inter Pipeline facility will result in approximately 2,000 full time direct and indirect employment. About 1,600 of those would be at the site, and the rest would be in fabrication or module shops and engineering firms. An additional 95 full time operations positions would be created upon project start-up.