



sherritt

THE NAME IN NICKEL



Climate Leadership Plan Concerns

City Council Discussion

Feb 28, 2017

Agenda

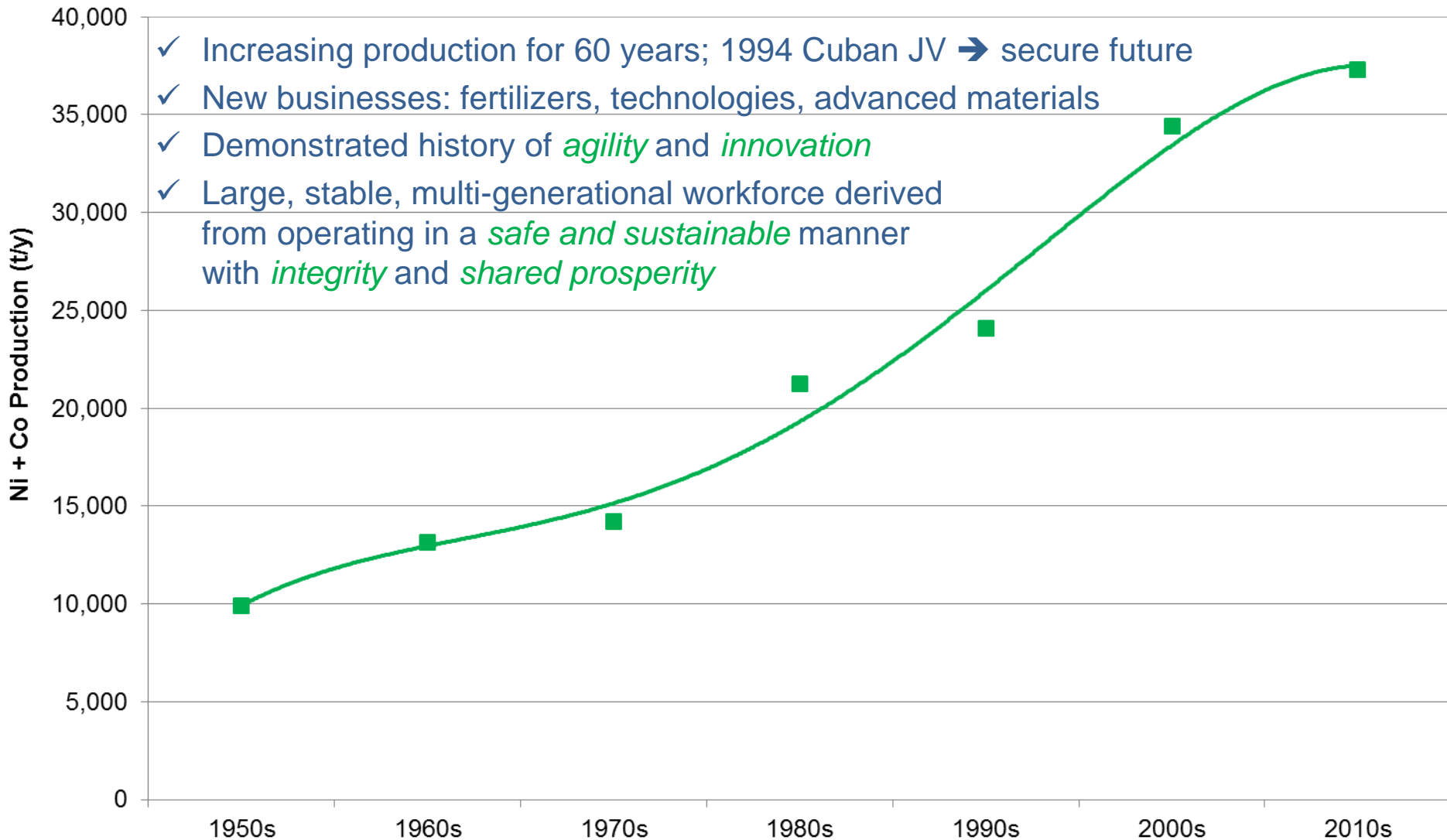
- Introduction to Sherritt Fort Site and Nickel/Fertilizer Industry
 - Sherritt Fort Site GHG Context
 - Specific Concerns with Climate Leadership Plan
 - Request of Council
-
- Goal: Council understand potential implications of GHG regulations

Sherritt's Purpose

To be a low-cost nickel producer that creates sustainable prosperity for our employees, investors, and communities.

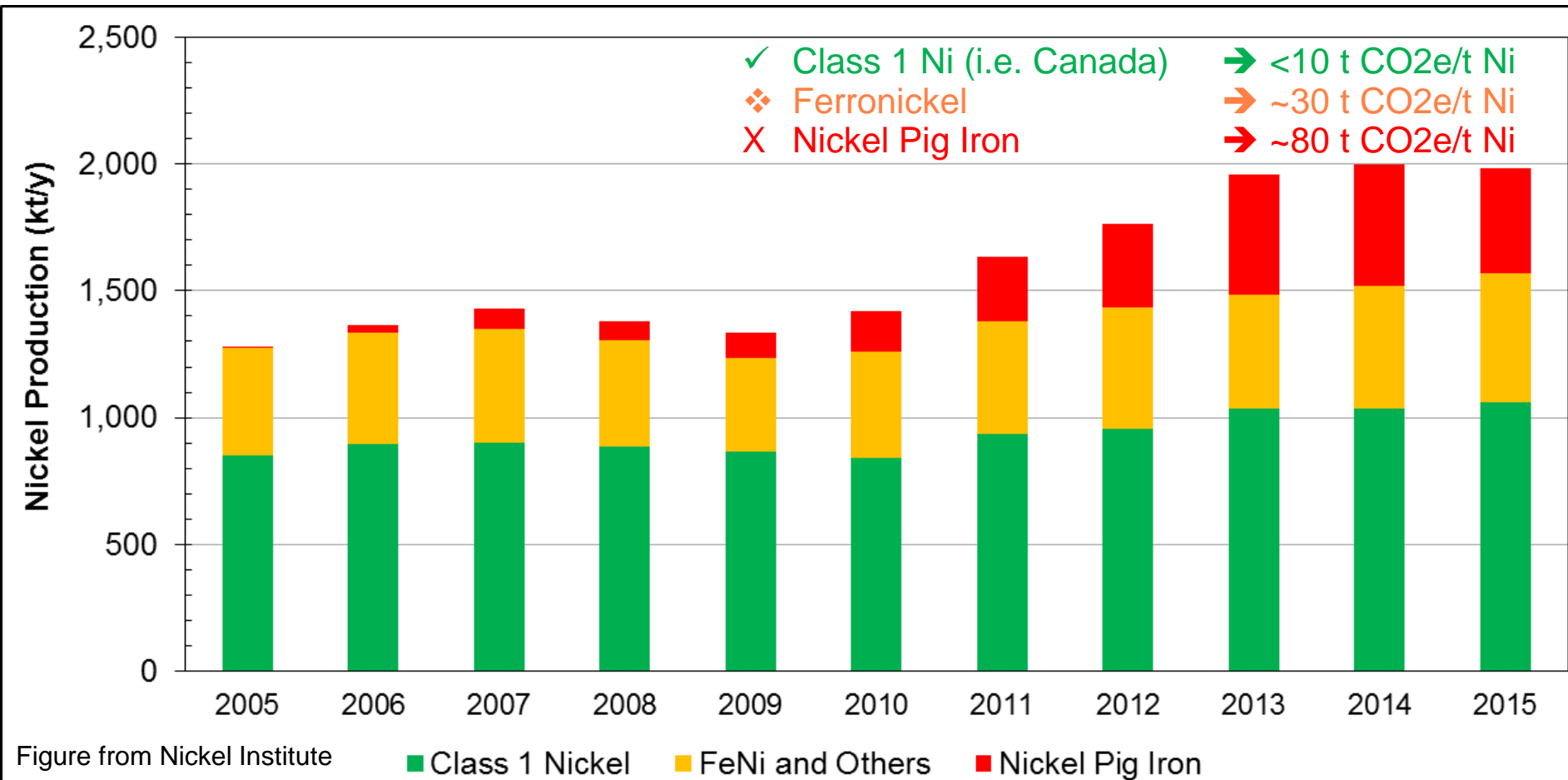
Fort Site Evolution

- ✓ Increasing production for 60 years; 1994 Cuban JV → secure future
- ✓ New businesses: fertilizers, technologies, advanced materials
- ✓ Demonstrated history of *agility* and *innovation*
- ✓ Large, stable, multi-generational workforce derived from operating in a *safe and sustainable* manner with *integrity* and *shared prosperity*

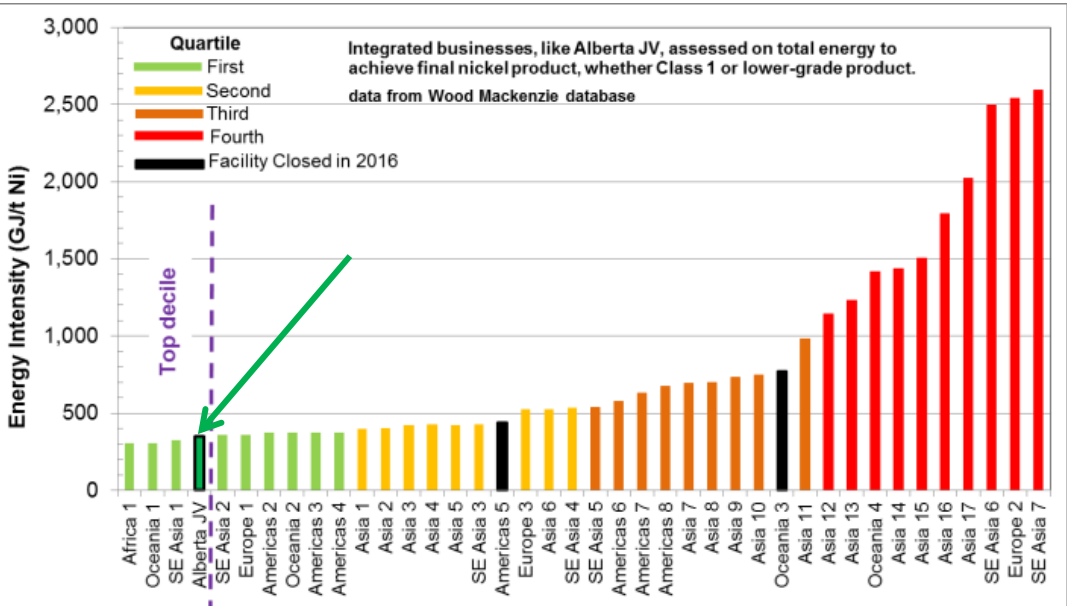


Global Nickel Industry

- Recent large growth in China using high-GHG NPI technology
- Companies struggling to cover cost of production

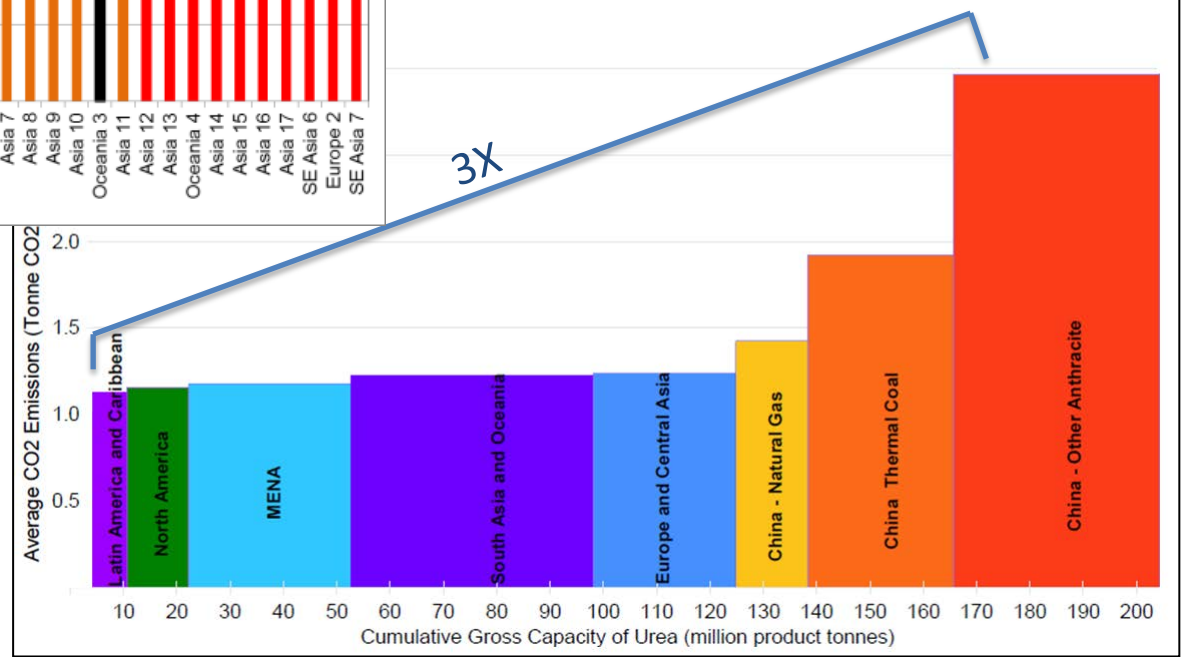


Carbon Leakage



Nickel Carbon Leakage Threat

Ammonia Fertilizer Carbon Leakage Threat

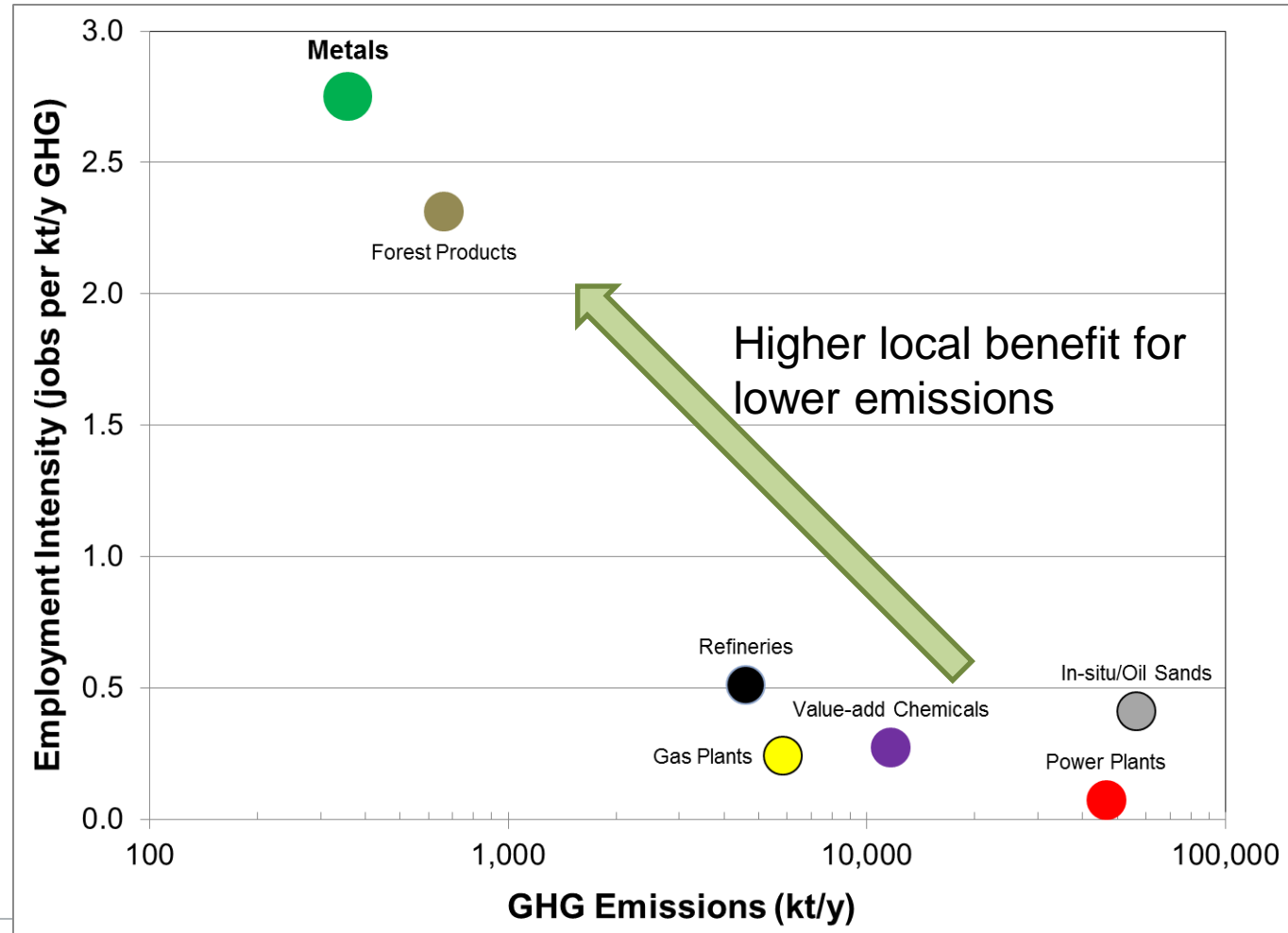


Figures and data from Fertilizer Canada and Wood Mackenzie

Local Economic Benefit

- Fort Site operations have high labour requirements; complex facility
- Fort Site has high labour ratio vs other industries
- High local benefit
- Relatively low GHG impact
- High labour ➔ high op cost, low profitability

Data from NPRI, Alberta
GHG database

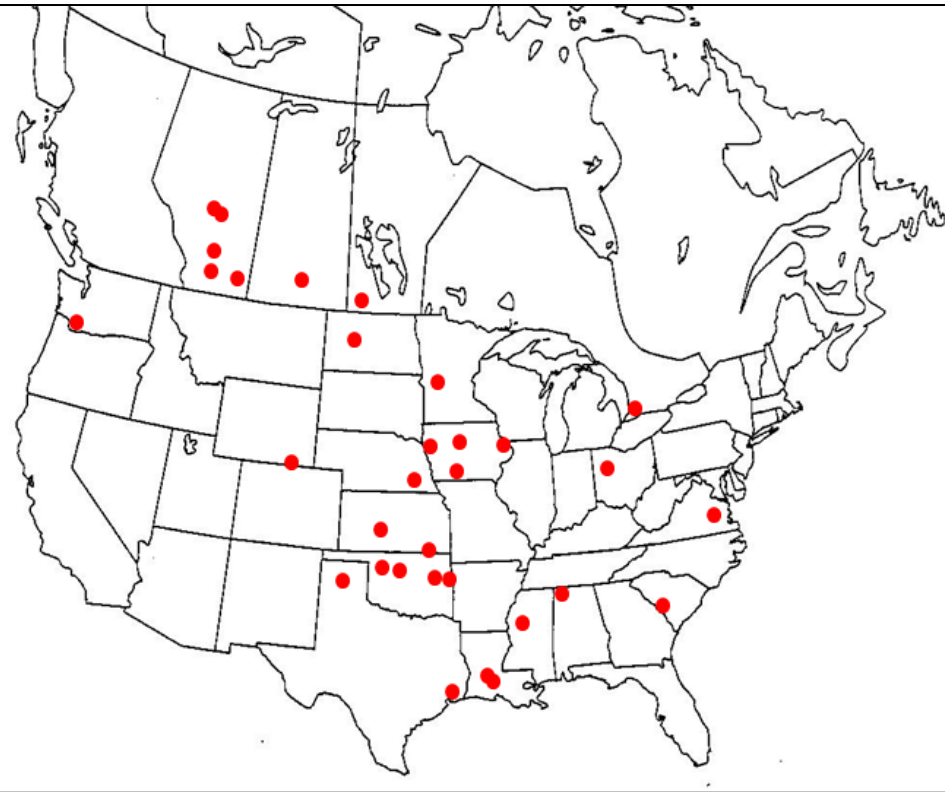


Climate Leadership Plan and Industry

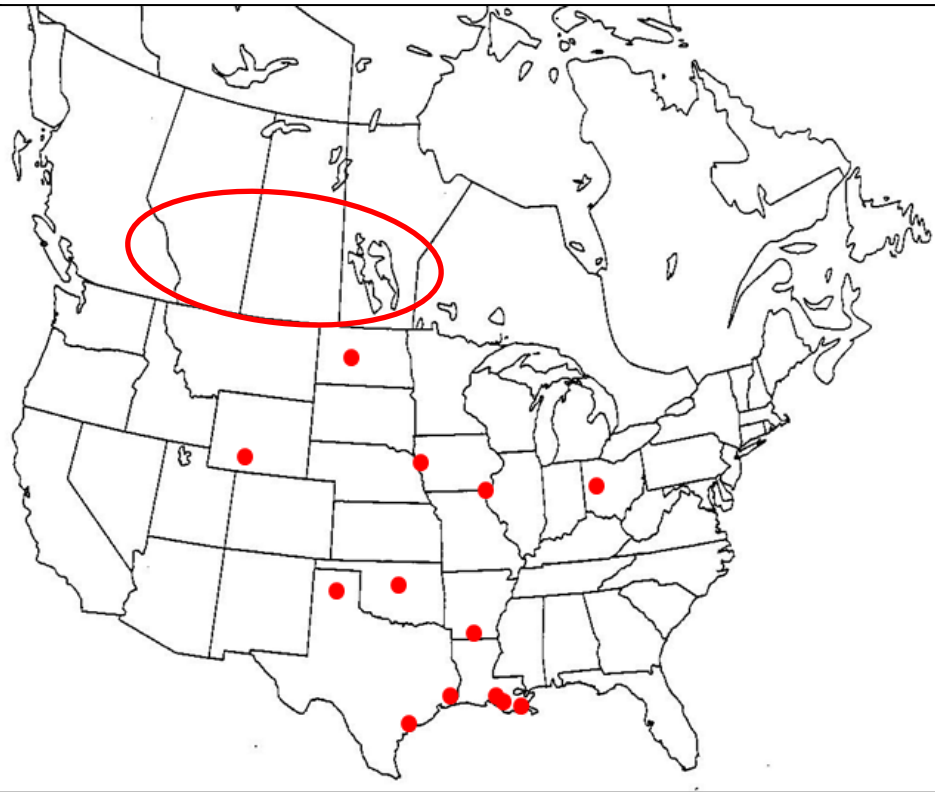
- Intention seems to be high-efficiency producers will set the standard, but economics will be used to determine bearable cost
- Starting economic impact studies (impact of carbon cost vs revenue)
 - Method problematic
 - Basis is existing, elevated costs (+230% last two years)
- (Energy-Intensive, Trade-Exposed)
- EITE industries compete globally, including with regions with no GHG costs
 - Some EITE are able to pass costs on, some have more ability to make reductions (evolving technology)
- Metals and Fertilizers are “Mature EITE”
 - Top-quartile performance through early action
 - Limited reduction opportunities with no fundamental new technology
 - Highly trade exposed with little or no cost pass-through

Global competition - facilities

Existing ammonia plants in North America



New and expanded ammonia plants



Figures from Fertilizer Canada

Climate Leadership Plan and Industry

- Province has demonstrated a desire for simple solutions
 - Regulator wants to move quickly, which may not allow sufficient subtlety
- Political leaders repeatedly state that strong GHG regulation is required to achieve market access for Alberta oil
 - Resource extraction is important across the province
 - Value-add industries are important regionally
 - What is more important to Council – oil extraction or value-add?
- Regulatory personnel have indicated they understand the issues

Will it translate to the decision makers in Cabinet?

Or is it just what we want to hear?

Council Support is Important

- CoFS and its heavy industry **rely on each other and succeed together**
- Decisions are made at the Cabinet table
- Request Council to develop a support letter for key audiences
 - Departments: ED&T, Municipal Affairs, Finance
 - Climate Leadership Policy Committee (Hon. Gray, Phillips, Larivee, McCuaig-Boyd, Schmidt)
- Key Messages: support continued economic strength of cities reliant on the value-added processing of Alberta resources
 - ✓ Establish fair policy that differentiates amongst EITE industries based on
 - global competitiveness (ability to pass costs on) and
 - ability to make reductions (science-based)
 - ✓ Ensure Alberta's industries remain globally competitive



Lyle Trytten
Director, Sustainability and Regulatory Affairs
Sherritt International, Metals Division, Fort Saskatchewan