

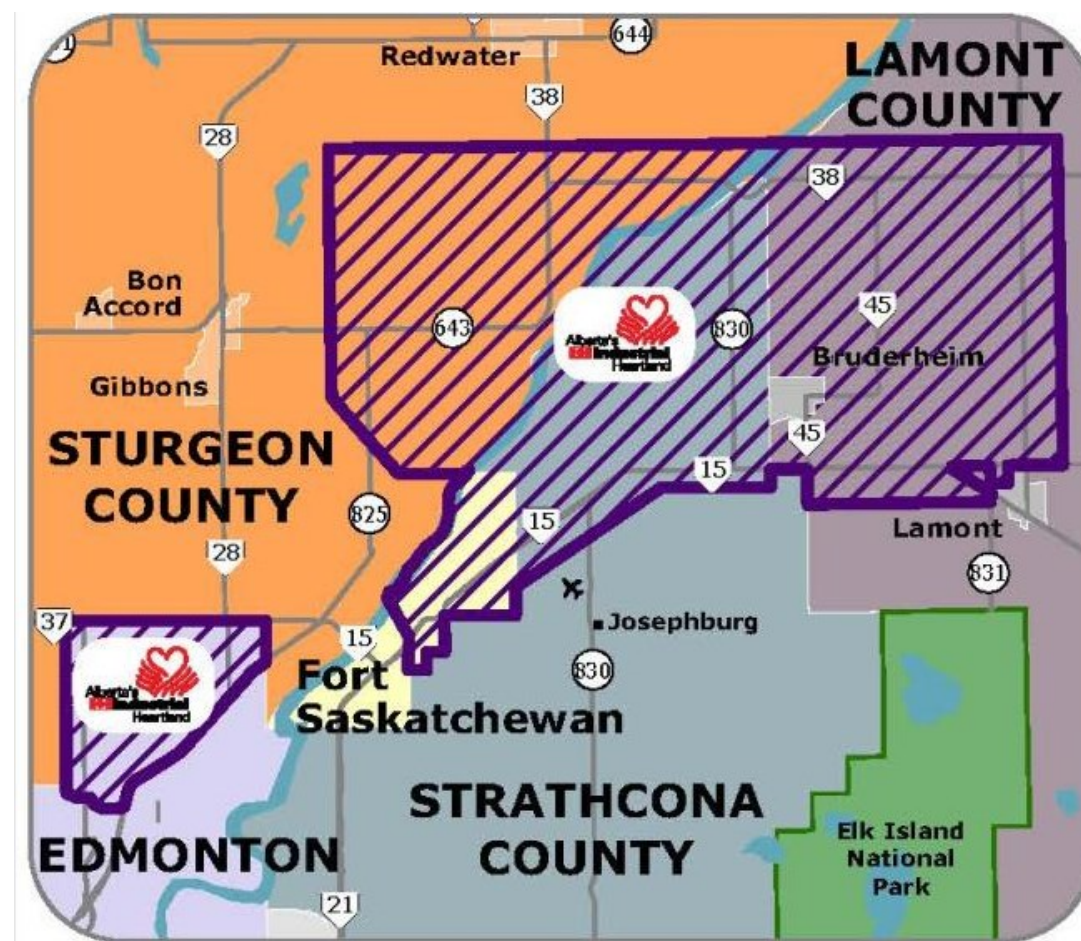


**STRATHCONA COUNTY
PRIORITIES COMMITTEE**

May 15, 2018

ALBERTA'S INDUSTRIAL HEARTLAND

- 582 square-km value-add energy cluster
- Spans 5 municipalities:
 - Strathcona County
 - Sturgeon County
 - Lamont County
 - City of Fort Saskatchewan
 - City of Edmonton



THE INDUSTRIAL HEARTLAND'S ECONOMIC IMPACT

CAPITAL INVESTMENTS



*We Are Alberta's
"Value-Added"
Economic Engine*

JOBS IN THE ECONOMY



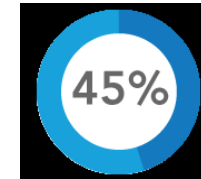
**6,000+
direct**

**25,000+
indirect**

HIGH SKILLED, HIGH PAYING JOBS



38% of sector's employees hold university degrees (second only to IT sector)



Wages in the sector are 45% higher than average manufacturing salaries.

LOCAL SPENDING



**\$1.5
Billion
Annually**

IMPACT OF SPENDING

Companies in Alberta's Industrial Heartland are key consumers of goods and services from support industries and institutions



Alberta's Industrial Heartland Association



The continued development of **Alberta's Industrial Heartland** is guided by a non profit association dedicated to sustainable industrial growth.

Alberta's Industrial Heartland Association is a collaborative 20-year partnership of five municipalities and three associate members.



WHAT DOES OUR ASSOCIATION DO?

Investment Attraction

- Business Case Development
- Investor Outreach
- Investor Assistance & Hosting

Government Advocacy & Education

- Provincial Government
- Federal Government
- Municipal Government

Planning for Development

- Transportation
- Pipeline Corridors
- Land Use

Community Engagement

- Education & Information
- Social Awareness
- Community Outreach

INVESTMENT OUTLOOK

*Potential for **\$30 Billion** in NEW Capital Investments in Alberta's Industrial Heartland **by 2030** under the right investment conditions.*

FUTURE INVESTMENT OPPORTUNITIES

North West Refinery Phase 2

- < \$9.0 billion capex
- 5,000 site jobs

Ethylene & Polyethylene Facility

- \$8-12 billion capex
- 5,000 site jobs

Methanol Facility

- \$1.5 billion capex
- 1,500 site jobs

Partial Upgrader

- \$3.5 billion capex
- 3,000 site jobs

THE RIGHT INVESTMENT CONDITIONS

ENABLING BUSINESS ENVIRONMENT

- ✓ Regulatory certainty & efficiency
- ✓ Overall competitive tax framework

APPROPRIATE INFRASTRUCTURE

- ✓ Access to markets
- ✓ Transportation and logistics networks
- ✓ Utilities

GOVERNMENT SUPPORT

- ✓ Investment attraction tools
- ✓ Signal to investors: “open for business”

SKILLED WORKFORCE

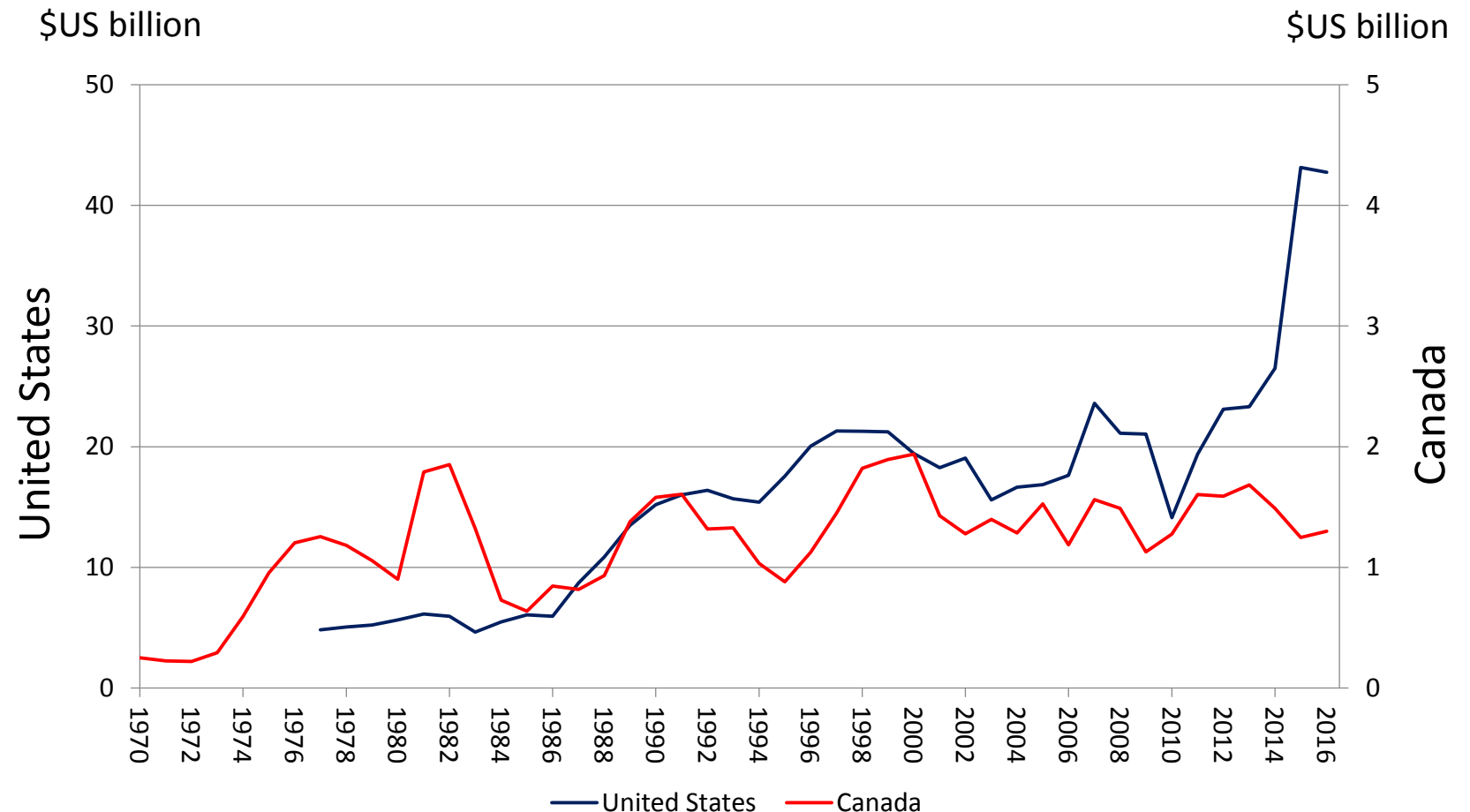
- ✓ Post secondary institutions
- ✓ Training and development



UNITED STATES

Our biggest customer is now our biggest competitor.

- 320 projects in last 5 years
- C\$250 billion investment
- Canada's share is historically 10%
- Canada's share in last 5 years is **less than 2%**



UNITED STATES

- More favourable regulatory agenda – consistency in policies, sound science and clear economics driving policies
- Federal and State opportunity zones with incentive programs
- Trump's Tax Cuts and Jobs Act:
 - Cuts corporate tax from 35% to 21%
 - Lowers most individual income tax rates
 - 100% capital cost depreciation
 - Significantly lowers marginal tax rates and the cost of capital

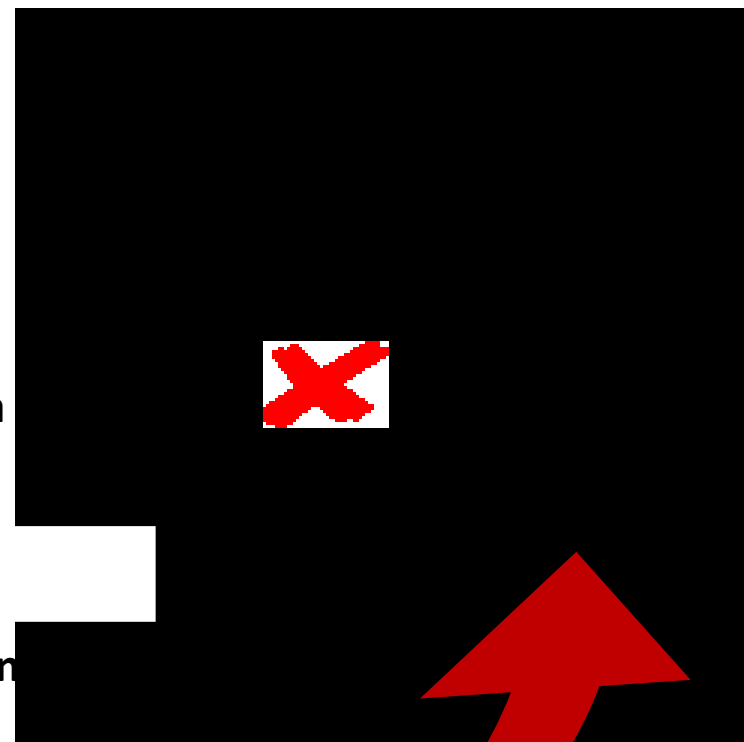
LOCAL REALITY SHELL

Alberta's Lost Opportunity

- \$6 Billion ethane cracker chosen for Pennsylvania
- 6,000 construction jobs
- 600 operational jobs

✗ Shell's final decision was due, in part, to the **tax incentives** offered by the state.

✗ The state legislature agreed to give the ethane cracker **\$1.65 billion in tax credits** over 25 years.



LOCAL REALITY

SASOL

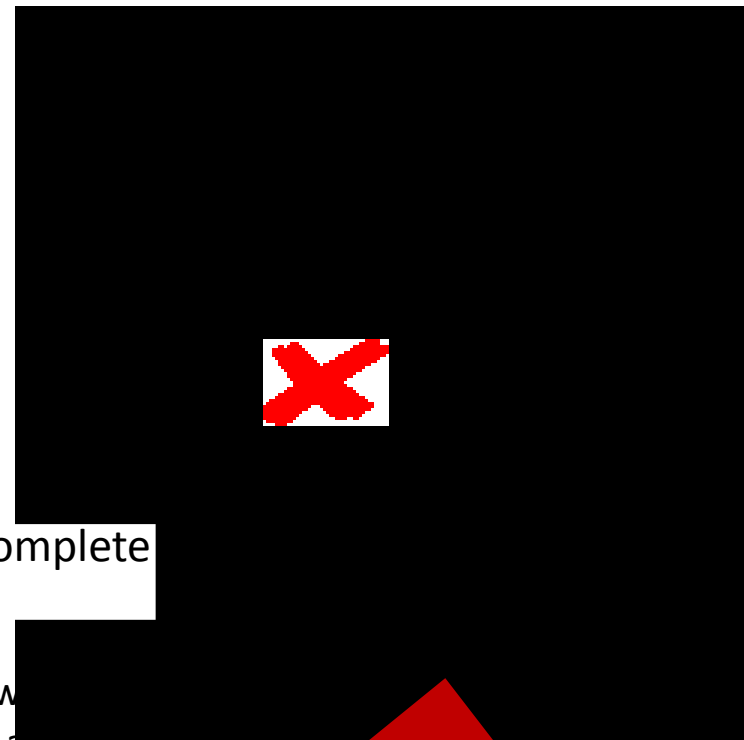
Alberta's Lost Opportunity

- \$8.1 Billion ethane cracker chosen for Louisiana
- 5,000 construction jobs
- 500 operational jobs
- Plans to add \$14 Billion gas to liquids facility to complete a \$21 Billion petrochemical complex

✗ State of Louisiana **offered a custom incentive package** worth \$135 million, including \$115 million for land acquisition and infrastructure and an \$20 million to develop a new training facility and associated equipment.

✗ Over the last four years, Sasol has **committed more than \$4.7 million and 3,800 volunteer hours** to the Southwest Louisiana community through the company's signature community initiatives.

SASOL
reaching new frontiers



LOUISIANA

- Industrial Tax Exemption ➡ 100% abatement local property tax up to 10 yrs
- Customized job training
- Competitive projects payroll incentive ➡ 15% rebate new annual gross payroll
- Performance-based grants ➡ eligible projects = infrastructure & site improvements
- Retention and modernization tax credit ➡ 5% credit on modernization of manufacturing equipment
- R&D tax credit ➡ up to 40% on R&D expenditures
- Bond programs
- Net new jobs tax credit ➡ one-time \$2,500 tax credit per net new job

LOUISIANA – CASE STUDIES

Methanex Corp – 2 methanol plants

Economic Impact:

- \$1.1B capital investment
- 1,300 new direct & indirect jobs
- 2,500 construction jobs

Louisiana Incentives:

- \$1.2M performance-based grant for site infrastructure improvements
- Industrial tax exemption
- Job training

Axiall – ethane cracker and related ethylene plant

Economic Impact:

- \$3B investment
- 2,400 new direct & indirect jobs

Louisiana Incentives:

- Competitive performance-based incentive package

DOW Chemical Co – 2 polyolefin plants, plus upgrade of existing ethylene capacity

Economic Impact:

- \$1B capital investment
- 540 new jobs

Louisiana Incentives:

- \$2.84M modernization tax credit
- Industrial tax exemption
- Jobs training

TEXAS

- Cash grants for “deal closing” w/ multiple criteria (eg, capital investment & job creation)
- Asset-based loans w/ competitive, variable interest rates
- Tax exemptions
- Customized job training
- Renewable energy incentives
- R&D tax credit
- Bond programs

TEXAS – CASE STUDIES

G2X Energy – Natural gas to gasoline facility

Economic Impact:

- \$1.3B capital investment
- 243 direct & 748 indirect jobs

Texas Incentives:

- \$5M performance-based grant for infrastructure improvements
- Jobs training

Sasol – integration GTL and ethane cracker complex

Economic Impact:

- \$16-23B capital investment
- 1,253 direct & 5,886 indirect jobs

Texas Incentives:

- \$115M performance-based grant for land and infrastructure
- 15% payroll rebate for each GTL job and 6% rebate for each ethane cracker job
- State investment of \$20M in new training facility

CANADA

- Strategic Innovation Fund
- Accelerated Capital Cost Allowance
- Signals to global investors: pipeline dispute, Pan Canadian Framework/Clean Fuel Standard
- Carbon Pricing: \$40/t, \$50/t, \$XX/t?
- Phasing out “inefficient fossil fuel subsidies”

ALBERTA

- EDAC Report
- Downstream Incentives
 - Petrochemical Diversification Program
 - Petrochemical Feedstock Infrastructure Program
 - Partial Upgrading Program
- Carbon pricing – output-based allocations
- Pipeline and interprovincial issues

OPPORTUNITIES FOR ADVOCACY

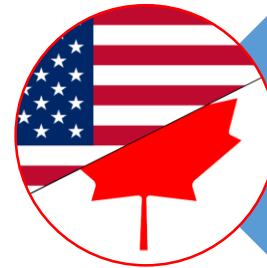
The Public and
Regional
Stakeholders

MLAs and MPs

AUMA/AAMDC
Resolutions



Petrochemical
investment is good for
Canada



We are competing with
the United States



We need to create the
right conditions for
investment attraction