

Irving Oil and BP will not proceed with proposed second refinery

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SAINT JOHN, NB, July 24 /CNW/ - BP and Irving Oil announced today they will not be moving forward at this time with the proposed second refinery in Saint John, New Brunswick, as a result of global economic and industry conditions.

The joint technical and commercial feasibility study that the two companies have been conducting over the last 18 months concluded that the project was not viable at a time of global economic recession and dampening forecasts for petroleum product demand in North America.

"We want to thank our community, our three levels of government, and our employees for believing in our company and for working with us to study this project over the last few years," said Kenneth Irving of Fort Reliance, the parent company for Irving Oil. "We want to thank BP for working with us to evaluate this opportunity and we appreciate the excellent relationship we have been able to develop with them during this time. We remain committed to our community, to the Self-Sufficiency goal, and to the further development of the New Brunswick Energy Hub. We will continue to work hard to maintain the competitiveness of our existing business and to create new investment opportunities by attracting world-scale companies to come to our region."

"It became clear, particularly over the past year, that the market conditions for refining have changed since BP and Irving Oil entered this memorandum of understanding," said Iain Conn, Chief Executive of BP's refining and marketing business. "We are, therefore, unable to move forward with an investment of this kind. I appreciate the hard work and collaboration of the project team over the past 18 months. BP has benefitted from the co-operation with Irving Oil and values the relationship we have established."

"Our interactions with our Federal and Provincial governments have reflected well on the potential for investing in New Brunswick and Canada," Kenneth Irving added. "This support is encouraging for other potential Energy Hub investors. The Province of New Brunswick remains a very attractive location for energy infrastructure investment. We especially want to thank everyone in our community whose support encouraged us to invest in exploring the potential for Eider Rock. We learned how to further work together and what our community's objectives are through the Benefits Blueprint work.

Solid relationships have developed that are essential for our community to prosper. When the time is right, we are ready and willing to work together. While this was a difficult decision, timing is everything. No one would benefit from a well conceived but poorly timed investment."

"We're very proud that we stayed the course for as long as we did after numerous refining projects around the world had fallen away," said Kevin Scott, Irving Oil Commercial Director of Refining Growth. "We're also very pleased that over the last 18 months we have been able to build a strong relationship with a world-class company like BP."

To complete the processes already underway, and to preserve future options in the event that market conditions return to previous levels, Irving Oil will continue with the environmental permitting processes related to the proposed second refinery.

About Irving Oil

Founded in 1924, Irving Oil is a privately owned regional refining and marketing company with a history of long-term partnerships and relationships. Irving Oil operates Canada's largest refinery, in Saint John, N.B., which is located 65 miles north of the U.S. border and has reached production rates in excess of 300,000 barrels per day. The refinery exports more than 80 per cent of its production to the U.S., and accounts for 75 per cent of Canada's gasoline exports to the U.S. and 19 per cent of all U.S. gasoline imports. In

2003, Irving Oil became the first oil company to receive a U.S. Environmental Protection Agency Clean Air Excellence Award, for its clean gasoline.

About BP

BP is one of the world's largest oil and gas companies, serving millions of customers every day in more than 100 countries across six continents. BP's activities are Exploration and Production; Refining and Marketing; and Alternative Energy, its low-carbon energy business. Through these business, BP provides fuel for transportation; energy for heat and light; retail services; and petrochemicals products for textiles and packaging.

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