

Chevron Burnaby Refinery

Crude Supply Overview



**Neighbourhood CAP
Meeting,**

November 21, 2012





Burnaby Refinery

55,000 barrels / day production capacity



Over 3000 British Columbians are directly employed by the company or as Chevron retailers/wholesalers and specialized service contractors

Commercial & Industrial Sales

Supply approx. 25% of B.C.'s commercial fueling needs. The major supplier to key public service sectors including BC Ferries, Coast Mountain Bus Co. and Municipal services.

Supply over 8,600 businesses – large and small

Retail

Over 160 service stations in BC operated by independent small business people. Supplying approx. 30% of British Columbians' fuel needs

Supply Sales

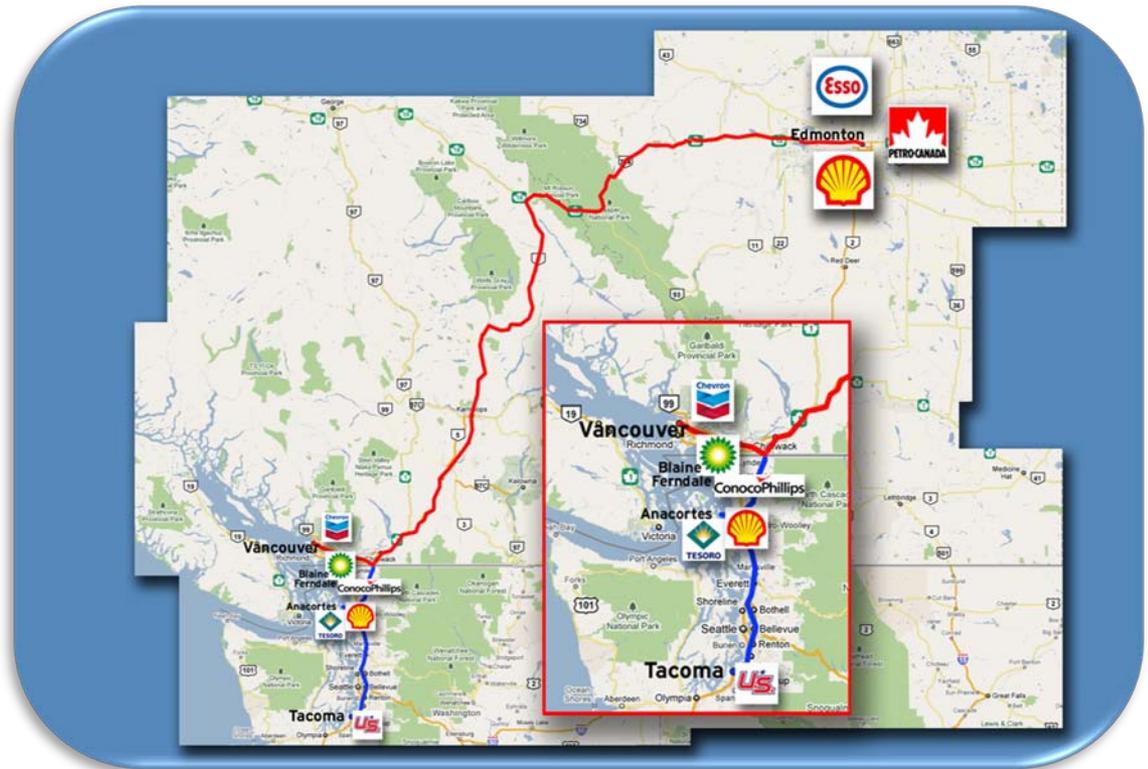
Currently supply approx. 40% of YVR's jet fuel requirements



British Columbia's Competitive Supply Environment



- B.C. is not self sufficient in the supply and production of finished petroleum products.
- 2/3rds of the finished petroleum products consumed in B.C. are imported from Alberta.
- In the 1980's there were 4 operating petroleum refineries on Burrard Inlet.
- Three of those were decommissioned and are now terminals for Alberta-based production.



The Burnaby Refinery - A Commitment to BC

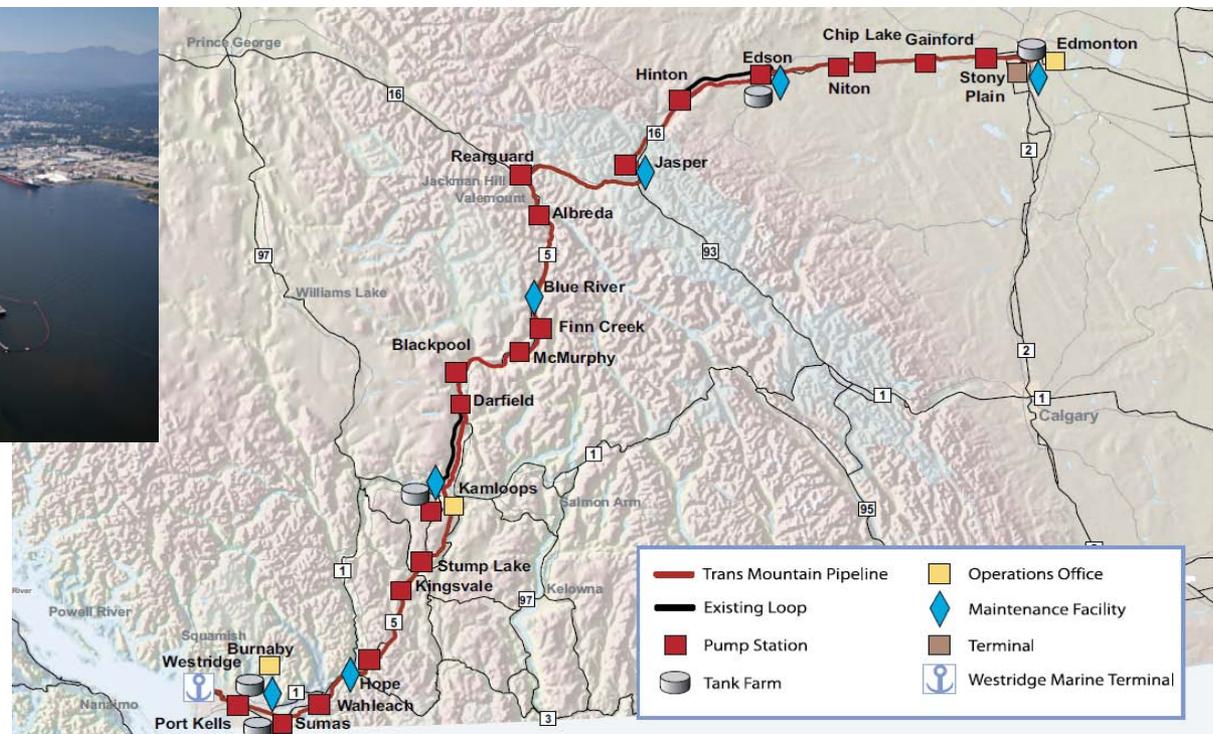


- An integral part of BC's economy for almost 80 years.
- The only major oil company with an operating refinery in Lower Mainland.
- Over \$70 million spent annually on locally sourced supplies and services.
- Since 2003, have invested \$325 million in energy efficiency, environmental upgrades, and technology to meet BC clean fuels regulations.
- Supplies 25% of BC's transportation fuel, including key public infrastructure such as BC Ferries, YVR, local municipalities and Trans-Link.

Burnaby Refinery and Kinder Morgan's Trans Mountain Pipeline – Background



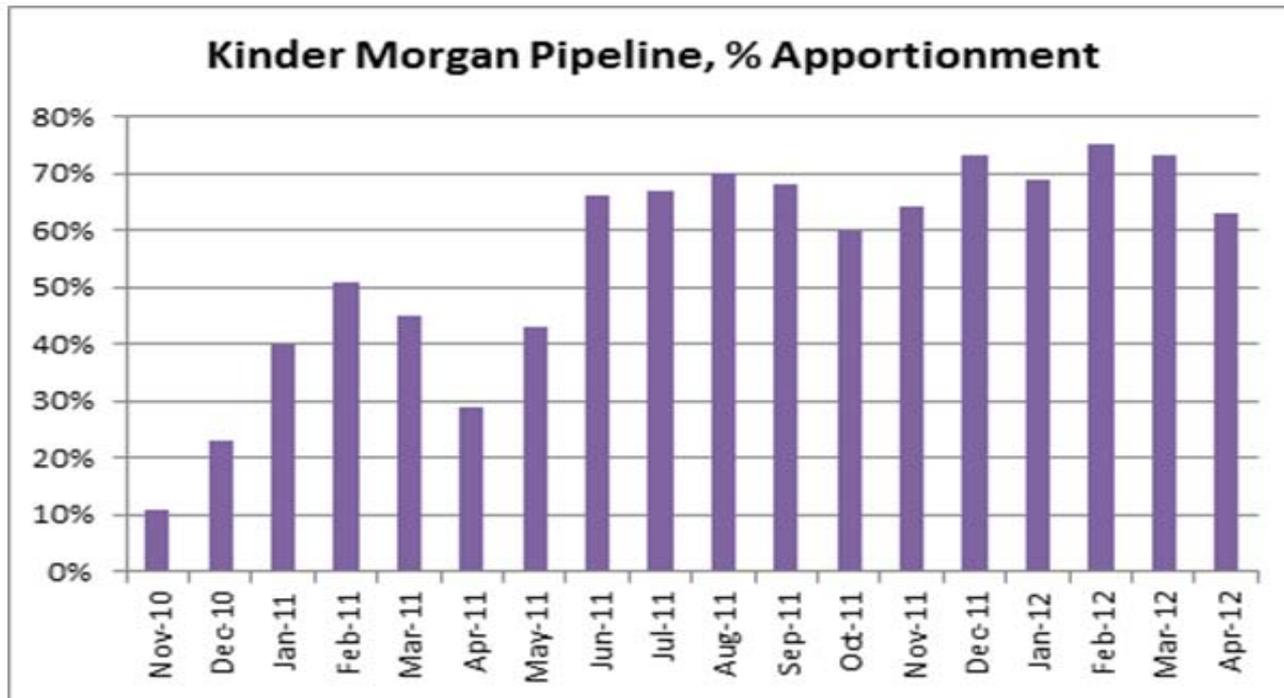
- Chevron has relied on the Trans Mountain Pipeline (TMPL) for its crude oil feedstock since the pipeline was built in 1954.
- Until very recently the Burnaby refinery has been entirely dependent on TMPL for 100% of its crude oil feedstock.



Burnaby Refinery and Kinder Morgan's Trans Mountain Pipeline – Background



- To maintain its long-term commitment to supply fuel to B.C., the Burnaby refinery requires a reliable source of crude feedstock. (up to 57,000 barrels per day)
- Experts agree that a price differential (currently approximately \$30/barrel) between continental and waterborne crude oils may remain in place for the foreseeable future.
- This differential has resulted in historically high pipeline demand from shippers located outside of B.C., dramatically curtailing the amount of crude oil available to the refinery due to an apportionment process.
- Every month all shippers on the Trans Mountain Pipeline nominate the capacity they wish to ship on the pipeline.
- If the total amount of nominated space exceeds the pipeline capacity, all of the shipper's nominations are reduced and equally "apportioned."



- Apportionment is likely a long-term reality given current infrastructure constraints and prevailing market conditions.
- Chevron has responded to apportionment by exploring and implementing alternative sources of supply. None of these options are economic or feasible over the long term.



- At current apportionment levels (~ 75%), the Burnaby Refinery requires an additional 40,000 barrels per day (bpd) of Alberta crude for optimal operation.
- That volume requires uneconomic investments and increased delivery costs some five times higher than pipeline delivery cost.
- 14,000 bpd will be the maximum available via alternative supply methods.
 - Trans-loaded rail to truck crude shipments began in May 2012 and are limited to 2,500 bpd with a potential for 6,000 bpd.
 - Rail delivery capability is currently being constructed with scheduled completion in early to mid 2013.
 - Once operational, the crude by rail option would be limited to 8,000 bpd due to logistical and infrastructure limitations.

Priority Destination Designation (PDD) Filing



- Under the Priority Destination Designation terms of the current TMPL tariff, a refinery connected to the Trans Mountain Pipeline may be “designated” by the NEB for priority access to the pipeline by reason that it is not capable of being economically supplied with crude from alternative sources.
- Chevron’s filing for Priority Destination Designation focuses on :
 - ✓ *The refinery not being able to be economically supplied with crude from alternative sources due to unique physical and infrastructure supply challenges*
 - ✓ *The designation of the refinery as a destination, not a volume of crude oil*
 - ✓ *The economics of crude delivery to the refinery as opposed to the economics of the refinery*
- Priority Destination Designation is a market-based approach that would see capacity on the Trans Mountain Pipeline reserved for the shipment of vital crude feedstock to the Burnaby Refinery.
- Shippers that contract for fixed volumes would be the first to have their needs met, then priority destination shippers and finally those nominating for spot volumes. Long-standing nomination processes and terms would continue to be used.



- Increases in pipeline apportionment reflect the escalating global demand for Canadian crude oil.
- Chevron supports the safe and efficient movement of Canadian energy resources to diversified markets.
- Market diversification efforts must optimize the benefits for, and reflect the needs and interests of, all Canadians – including British Columbians.
- Our filing for Priority Destination Designation seeks reliable, economic access to the pipeline for our crude supply as it exists today and in the future.
- **Proposed expansion of the Kinder Morgan pipeline (TMX) is a separate issue and not related to Chevron's application for Priority Destination Designation.**

Why is this important?



- Chevron supplies approximately 25% of BC's transportation fuels
- The Burnaby refinery is a key strategic asset in the BC economy and an important component of the Province's transportation infrastructure.
- A reliable, predictable crude oil supply will allow the refinery to run at or near capacity which is necessary for its long-term viability
- Potential negative impacts of ongoing crude supply constraints:
 - *Loss of locally-manufactured fuel supply resulting in greater reliance on non-B.C. sources to supply B.C.'s refined fuel needs;*
 - *Loss of well-paid, highly-skilled jobs, tax revenues and over \$70MM spent annually on local goods and services*
 - *Increased demands on local infrastructure (e.g. highway, rail and port) as a result of having to import refined fuel products in other ways.*

Wrap-up & Questions?

