Agrium

The Economic Benefits of Reopening the

Agrium Kenai Nitrogen Plant

Agrium U.S. Inc. is considering reopening its Agrium Kenai Nitrogen Operations located near Nikiski in the Kenai Peninsula Borough.

Prior to its closing in 2007 due to an insufficient supply of natural gas, the Agrium plant was one of the region's largest private sector employers and among the top sources of tax revenue to the borough. If the plant were to reopen, it could bring hundreds of new jobs and millions of dollars in new payroll, to the Kenai Peninsula Borough and Alaska economies.

If an economically viable supply of natural gas can be secured, a return to production would begin with a single-train operation requiring 140 permanent full-time employees who could earn a total of $14 million in annual labor income. At full production (two trains) 240 workers would be required, with annual labor income totaling $24 million. Each production train consists of an ammonia plant and a urea plant.

Expected Benefits

Single-train Production

- **140:** Direct jobs
- **$14 million:** Direct payroll
- **340:** Total jobs (direct, indirect, and induced) in Alaska
- **$30 million:** Total payroll (direct, indirect and induced) in Alaska

Full/Two-train Production

- **240:** Direct jobs
- **$24 million:** Direct payroll
- **600:** Total jobs in Alaska
- **$50 million:** Total payroll in Alaska

- **$100,000:** Estimated average employee wage (excluding benefits)
- **100%:** Employees living in Alaska

History & Redevelopment Phase Impacts

Our History

When the Agrium Kenai Nitrogen Operations complex was built in 1968 (production started in 1969), it consisted of a urea and ammonia plant. In 1977, the complex doubled in size, adding another urea and ammonia plant with supporting utilities. Agrium purchased the plant from Unocal in 2000.

At the time of its closure in 2007, the Kenai plant was the second largest producer of ammonia and urea in the U.S. The complex had an annual production capacity of nearly 2 million metric tons. Much of Agrium's Kenai production was destined for overseas markets, including South Korea, Mexico, Taiwan, Thailand, Australia, Chile, New Zealand, and the Philippines. Within Alaska, urea was distributed and sold in small quantities for de-icing purposes and agricultural use.

Economic Impacts

The economic Impact of reopening Agrium Kenai Nitrogen Operations will occur at three levels:

- **Direct impacts** — Agrium's own employment and payroll
- **Indirect impacts** — jobs and income generated in businesses that provide goods and services to Agrium Kenai Nitrogen Operations
- **Induced impacts** — jobs and income created as Agrium employees and employees of its contractors and vendors spend their payroll dollars in the local economy

Redevelopment Phase

The path toward re-opening operations includes inspection, assessment, and renovation of the existing facility.

Inspecting equipment and assessing operational readiness of the facility would take about a year, and create five full-time positions and employ about 40 to 50 local contract workers. During this phase, Agrium is seeking to identify and potentially secure the natural gas supplies needed to feed the plant. Agrium expects to invest approximately $6 million in this phase.

Assuming plant rehabilitation is economical, and assuming an adequate supply of natural gas can be secured, Agrium would move into a 26-month renovation phase.

The $200 million project would require a temporary labor force averaging approximately 440 workers. These workers would earn a total of $75 million in direct labor income over the 2-year plant rehabilitation timeframe.

Including all multiplier effects (direct, indirect, and induced effects) the plant rehabilitation effort could account for an estimated 815 annual jobs and $110 million in total labor income.

Production Phase Impacts

Agrium's Kenai complex includes two production trains comprised of six plants. Plants 1, 2 and 3 are the original train (the south train), which was installed in 1968. The second (north) train, plants 4, 5 and 6, was installed in 1977.

Operating at 50 percent of capacity, the operation would consume approximately 75-80 million cubic feet of gas per day (75-80 mmcf/day) or about 26- 28 billion cubic feet annually (bcf/year). It will produce 630,000 metric tons of ammonia and 620,000 metric tons of urea. With both trains in operation, gas consumption and production of ammonia and urea would be double these amounts.

Direct Impacts

Agrium's current plan is to restart just the newer train, employing 140 full-time workers with an annual labor income of approximately $14 million.

The second train could start up at a later date, determined largely by the availability of natural gas. A two-train operation would employ 240 workers on a permanent, full-time basis. Annual labor income would increase to $24 million.

Agrium employees are expected to earn among the highest wages in the Kenai Peninsula Borough, perhaps two and half times the Borough's average wage.

Total Impacts

Including direct, indirect, and induced employment, operation of a single train could account for approximately 340 jobs and $30 million in annual labor income in Alaska.

Including direct, indirect and induced effects, at full production (two trains), Agrium's Kenai operations could account for approximately 600 jobs and $50 million in annual labor income in Alaska.

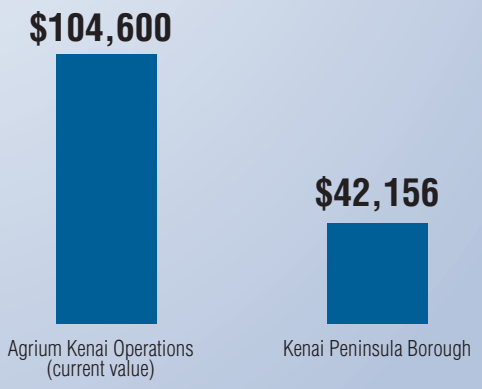
Plant "Turnaround" Impacts

Approximately every four years the plant will be shut down to undergo major maintenance and equipment overhaul, a process called a "turnaround."

The turnaround may employ as many 1,000 workers over a labor- and capital-intensive four-week period, with total spending ranging between $25 million and $30 million.

Turnaround contractors may employ nonresidents with specialized skills; however, spending by these workers on lodging, food, and other goods and services, will have a substantial short-term impact on the local economy.

Average Annual Wage
Agrium Kenai Operations and Kenai Peninsula Borough, 2011



Source: Agrium and Alaska Department of Labor and Workforce Development

Strengthening Communities

Generating Government Revenue

Investment in plant rehabilitation and re-start of operations would once again place Agrium among the top local taxpayers. Estimates of the assessed value of the re-commissioned facility, coupled with the current property tax mill rate, indicate an annual tax payment of $2.2 million to the Kenai Peninsula Borough, equivalent to about 4 percent of KPB's current property tax revenue.

If the second train is re-commissioned, Agrium would likely become the largest property tax payer in the KPB.

All of Agrium's employees are expected to live in the Kenai Peninsula Borough and pay property taxes for their homes. Agrium homeowners could pay a combined total ranging from $243,000 (single-train scenario) to $416,000 (full production scenario) in Borough property taxes.

Agrium and Agrium's families will also pay sales tax to KPB and city governments for locally purchased goods and services.

Total annual sales tax revenue to the Borough related to the Agrium workforce may range from approximately $265,000 (single-train scenario) to $467,000 (full production scenario). These estimates do not include sales tax revenues paid by the Agrium-related population to the City of Kenai or the City of Soldotna, where no doubt some Agrium payroll dollars will be spent.

Other Socioeconomic Benefits

COMMUNITY CONTRIBUTIONS: If the plant re-opens, Agrium expects to resume its community investment role, supporting local nonprofit organizations and projects. It is also anticipated that future employees would actively give back to their community in volunteer hours, cash and in-kind donations.

SCHOOL DISTRICT REVENUE: A portion of Agrium's employees are expected to have school-age dependents enrolled in Kenai Peninsula Borough School District schools. This enrollment could represent approximately $700,000 (single-train) to $1.2 million (full production) in state education funding to the District. Additionally, as Agrium employees spend money in the community and pay property taxes, and Agrium pays its own property taxes, its presence in the Borough will have a positive impact on local revenue the Borough contributes to the District.

Want to know more?

Visit us online at www.agrium.com, or contact us at: 907.776.5579

Agrium®

This handout was prepared for Agrium U.S. Inc. by McDowell Group, Inc. ©2013. Sources for the data in this brochure include Agrium, U.S., and *The Economic Benefits of Reopening the Agrium Kenai Nitrogen Plant* prepared by McDowell Group, Inc., 2013.