

Canadian

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## HUSKY TO BUILD New Ethanol Plant in Lloydminster

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In February, Husky Energy gave the green light to the construction of a 130-million litre per year ethanol plant to be situated in Lloydminster, Saskatchewan next to Husky's existing Upgrader complex. The facility, scheduled to open late in 2005, will be the largest of its kind in western Canada and is expected to cost an estimated \$95 million to build.

Husky spokesman, Dennis Floate said the project will create a number of employment opportunities in the Lloydminster area during the construction phase and upon completion, the new facility will create 20 to 25 new permanent positions. The plant will further boost the local economy by sourcing most of its grain for feedstock from farmers in the region.

In a news release issued February 16<sup>th</sup>, Husky Energy President and Chief Executive Officer, John Lau said the company's expansion goals are to make cleaner fuels, expand Husky's Mother Nature's Fuel brand program, and provide ethanol for the refining industry.

Ethanol is an oxygenate derived from biologically renewable sources includ-

ing grain, corn or wood waste. When blended with gasoline, ethanol raises octane levels, promotes fuel combustion and prevents fuel line freezing. The use of ethanol-blended fuels is considered environmentally advantageous because it reduces carbon monoxide emission, ozone precursors and net emissions of greenhouse gases.

Husky Energy is well established in the market development of ethanol-blended fuel and has received government recognition for the low combustion emissions in its ethanol-blended fuel. Husky and Mohawk claim their ethanol-blended gasoline prevents pre-ignition, keeps engines clean and reduces vehicle emissions by up to 30 percent.

Husky's new ethanol plant will convert 350,000 tonnes of wheat feedstock to 130 million litres of ethanol; sufficient capacity, says Husky, to supply the Saskatchewan gasoline blending demand. The plant will also produce Distillers Dried Grain with Solubles (DDGS), which is a high protein feed produced from the fermentation of grains, that can be utilized by hogs, dairy and beef cows, and poultry.

Saskatchewan Premier, Lorne Calvert offered praise for Husky's expansion in biofuels production. "It is a major step towards our goal of growing the economy in a 'green' and sustainable way," said Calvert in the February news release. "In addition to the environmental benefits arising from ethanol use, this facility also provides a new

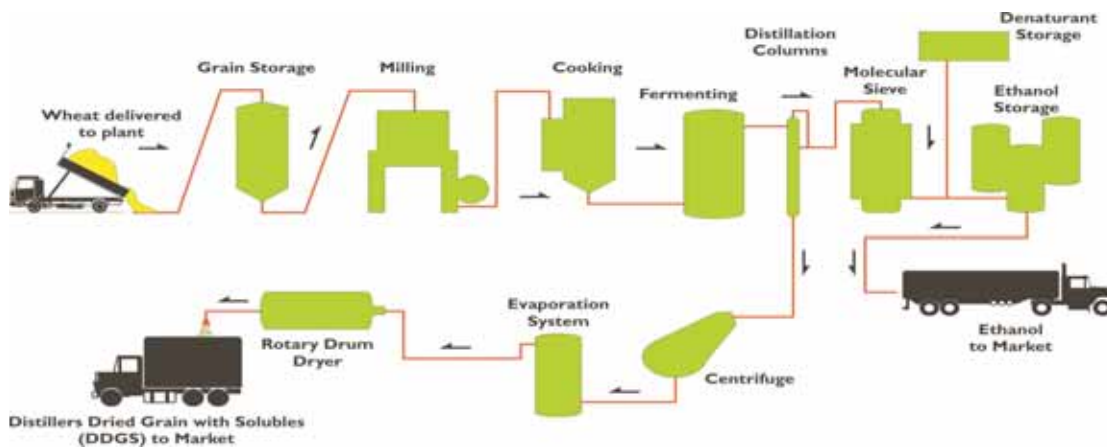
market for Saskatchewan grain farmers. It means cleaner fuel and more jobs."

According to the Canadian Renewable Energy Network (CanREN), other government endorsed 'green gasoline' projects are also in the works in response to the nation's heightened environmental concerns and commitment to reduce greenhouse gases. It reports that over the next few years, Canada will triple its current 130 million litres of grain-based fuel ethanol produced annually, with the addition of new production plants underway in the country.

In terms of the Lloydminster and area economy, Husky Energy has been a prominent player and major stimulating force, particularly in the areas of heavy oil



Husky's Lloydminster Upgrader draws heavy oil feedstock from the Lloydminster and Cold Lake areas and processes it into high-quality, low-sulphur synthetic crude oil feedstock for refining into premium transportation fuels used in Canada and the United States. Photo provided by Husky Energy Inc.



Schematic of the Proposed Facility Process

Photo provided by Husky Energy Inc.

and gas production, since the early 1940s. The Calgary-based Company maintains a land position of approximately

1.5 million net acres in the Lloydminster area and owns and operates the 77,000 barrel per day Husky Lloydminster Upgrader built to convert

heavy oil into synthetic crude oil. Husky also owns a 2,050-kilometre pipeline infrastructure in the bitumen corridor; a 25,000 barrels per day asphalt

refinery, and a 50 percent stake in a 215-megawatt natural-gas-fired cogeneration facility located on the Upgrader site.



Husky's new ethanol plant will enable the Company to expand its ethanol-blended fuel marketed as "Mother Nature's Fuel" and available at more than 1,000 gas stations across Canada. Husky and Mohawk claim their ethanol-blended gasoline prevents pre-ignition, keeps engines clean and reduces vehicle emissions by up to 30%. Photo provided by Husky Energy Inc.

Ethanol is an alcohol-based alternative fuel produced by fermenting and distilling starch crops that have been converted into simple sugars. Feedstocks for this fuel include corn, barley, and wheat. Ethanol can also be produced from "cellulosic biomass" such as trees and grasses and is called bioethanol. Ethanol is most commonly used to increase octane and improve the emissions quality of gasoline.

considered expensive and not very accessible. Today, ethanol-blended fuel is fully warranty approved for any domestic or import car; it has been deemed an "Environmental Choice Product" by Environment Canada, and it is available at more than 1,000 filling stations in six provinces across central and western Canada.

Ethanol blended gasoline has been available in North America for several decades, but until recently the demand for it was low because it was

Each year Husky's ethanol program pumps more than \$10 million into the Western Canadian economy by purchasing more than 2 million bushels of wheat from farmers in Alberta, Saskatchewan and Manitoba.