

Bitumen Royalty-in-Kind Program Request for Proposals “Processing of Crown Royalty Bitumen”

Technical Information Session
August 6, 2009

Meeting Agenda

1. Welcome and Introductions
2. BRIK Contribution to Government's Value-add Agenda
3. BRIK Overview and RFP Process
4. BRIK RFP Requirements
5. Facilitated Q&A
6. Wrap up

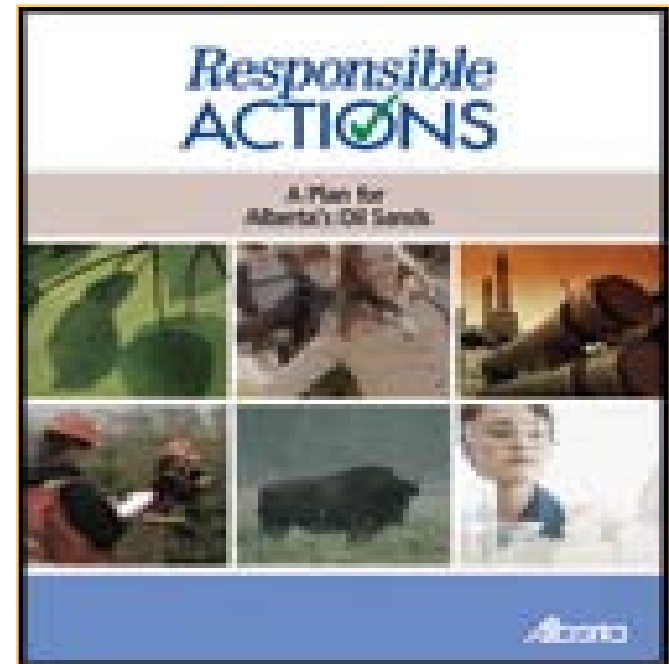
1. Welcome and Introductions

- Purpose of Meeting:
 - A briefing on the technical details and process of the BRIK RFP to prospective bidders and answer their questions regarding that RFP.
- Expected Outcome of Meeting:
 - Ensure that everyone has a clear understanding of the RFP provisions, structure and process.
 - Identify any uncertainties or ambiguities that may need to be addressed either by formal clarifications or in final RFP to be published on September 30, 2009.
- Introduction of GOA Speaker Table

2. BRIK Contribution to Government's Value-Add Agenda

BUDGET 2009

BUILDING FOR A
STRONG RECOVERY



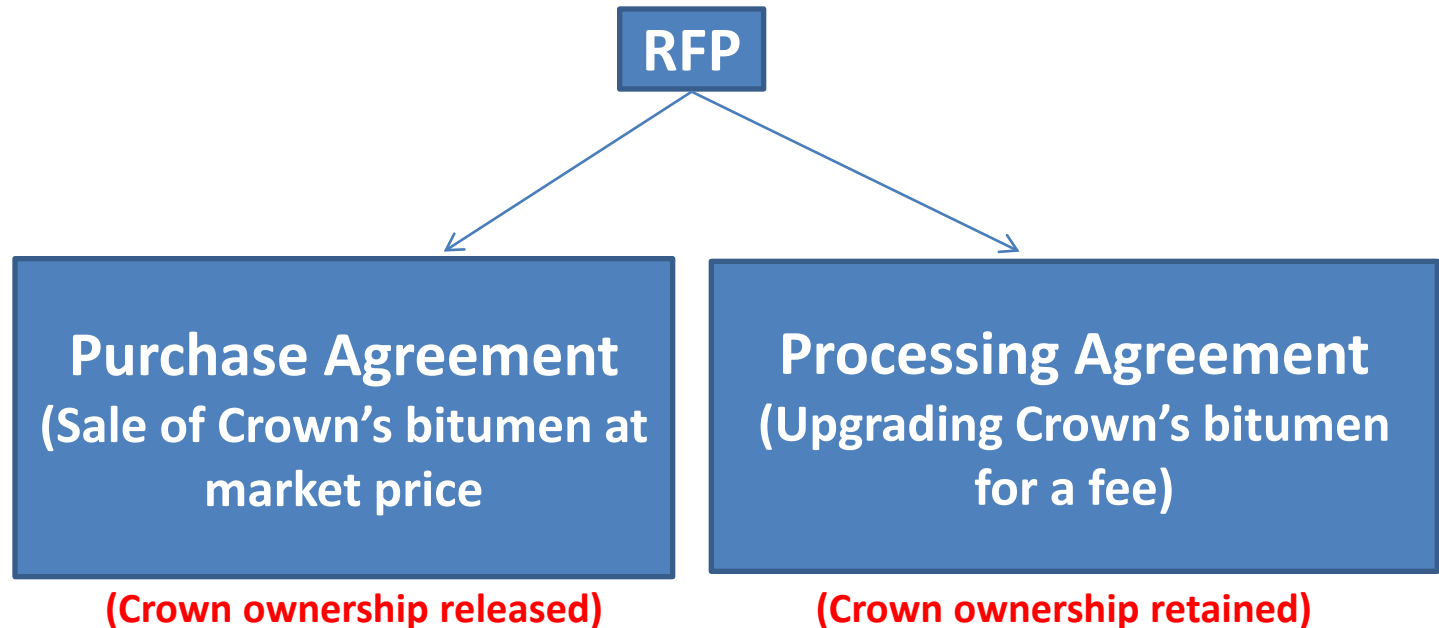
3. BRIK Overview and RFP Process

- BRIK Overview
- BRIK RFP Processing Alternatives
- Evaluation Team
- Evaluation and Selection Process
- Guidelines for Communications with Government
- BRIK RFP Timelines

BRIK Overview

- Alberta as owner of resource has the ability to take royalty in-kind.
- Bitumen royalty volumes are variable over time as they are a function of oil prices, project costs and the number of active oil sands projects.
- The Crown can allocate through commercial agreements a portion of its royalty volumes to specific projects.
- The Crown can participate in the market with its royalty volumes.

BRIC RFP Processing Alternatives



- The BRIC RFP provides an opportunity to propose different processing options.
- Multiple options result in different sets of Crown risks.
- Multiple options increase the number of potentially valuable proposals.

Evaluation Team

- **Evaluation Team (Internal):**
 - Representatives from Government led by Alberta Energy.
 - Team will prescreen and assess received proposals and provide an evaluation with recommendations to senior Government officials.
- **External Evaluation Support:**
 - External advice may be commissioned under confidentiality to review and provide expert analysis to the Evaluation Team on Economic Analysis and Risk Assessment, Financial and Technical (engineering).

Evaluation Team *(continued)*

- **External Support – seeking expert knowledge in key areas:**

RFPs on Alberta Purchasing Connection:

- Economic Analysis and Risk Assessment Consultant (AB-2009-03118)
- Technical Analysis Consultant (AB-2009-03119)
- Financial Analysis Consultant (AB-2009-03120)

Note: closing date August 21, 2009

Evaluation Team *(continued)*

- **Fairness Monitor**
 - Independent Consultant engaged to:
 - Monitor and report on the fairness of the RFP evaluation process.
 - Ensure GOA follows the process specified in the RFP and any Addenda.
 - Ensure any Addenda is issued for reasons consistent with the stated objectives of the RFP and in accordance with the RFP process.
 - Ensure the Government carries out the evaluation and selection process in good faith, in accordance with the criteria in the RFP and any Addenda.

Evaluation Team *(continued)*

- **RFP Fairness Monitor**

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Evaluation and Selection Process

- Evaluation Team reviews submissions and requests additional information from proponents as needed.
- Proponents may be requested to make presentations to the Evaluation Team, if required.
- Evaluation Team provides recommendations on proposal(s) to Department Executives.
- Minister of Energy makes final decision on project proposal(s).
- Announcement of successful project(s).

Guidelines for Communications with Government

- All communications must be made by e-mail to:
BRIK@gov.ab.ca
- Information on the BRIK RFP and to connect to the Alberta Purchasing Connection site to view the opportunity can be found at:
<http://www.energy.gov.ab.ca/brik.asp>

BRIK RFP Timelines

- Issuance of Initial RFP: Jul 21, 2009
- Information Meeting – Initial RFP: Aug 6, 2009
- External Consultants RFPs deadline: Aug 21, 2009
- Final Date for Comments on Initial RFP: Aug 31, 2009
- Issuance of Final RFP: Sep 30, 2009
- Final Date for Submission of Proposals: Dec 2, 2009
- Announcement of Selected Proposal(s): Mar 31, 2010
- Signing of Processing Agreement: 2010
- BRIK program comes into effect: 2012
- Supply of Bitumen begins under Processing Agreement: 2013 – 2016

4. BRIK RFP Requirements

- Contractual Parameters
- Risk Allocations
- Structure of Proposals
- Evaluation Criteria and Ranking
- Evaluation Metrics
- Evaluation Example

Contractual Parameters

- Proposal for a new facility/expansion of existing facility with a minimum bitumen capacity of 100,000 barrels per day (bpd).
- Proposal to commit to process or purchase specified Crown volumes:
 - Volumes must be specified to be between 50,000 to 75,000 bpd
 - Maximum Crown volume share of total facility capacity to not exceed 75%.
- Proposal must elect a committed term of 15 to 30 years:
 - Term to start no earlier than Jan. 1, 2013 and no later than Dec. 31, 2016.

Contractual Parameters *(continued)*

- If purchase offer, proposal must include:
 - commitment to upgrade in Alberta all specified volumes to at least a high quality light sweet SCO of 30 degrees API or lighter
 - Formula, based on market price, for deriving the purchase price throughout the term.
- If processing offer, proposal must include:
 - Formula for deriving the processing fee throughout the term
 - Pass through of capital costs of construction and operating costs to the Crown via the processing fee are subject to threshold limits.

Contractual Parameters *(continued)*

- Proposal must not be conditional upon direct assistance of any kind by the Crown in the obtaining of financing for construction of processing facilities.
- Must not be contingent on further volume commitments, special tax or royalty treatment.
- Alberta location (Alberta Industrial Heartland preferred in criteria for logistics and integration opportunities).
- The Processing Facility must be sufficiently flexible to accommodate variations in bitumen quality.

Risk Allocations

- Crown will undertake to deliver the specified volumes during the committed term.
- Crown will not accept any element of feedstock supply risk other than with respect to the specified volumes.
- Processing Facility must be sufficiently flexible to accommodate variations in bitumen quality.
- Crown will not accept any risk that the capital costs or operating costs of the processing facility will exceed thresholds specified in the Processing/Purchasing Agreement.

Structure of Proposals

- Must be compliant with the criteria shown in the Appendix to the RFP entitled, “*Part 5 – Section-by-Section Content and Evaluation*”.
- Proponents have the option to submit Enhancements to their core proposal (*Section 4.5 of the RFP*) that the Crown may consider in the selection process.
- Proposal may be submitted in the alternative only as stated under Section 4.5 (*stated above*) and in relation to aspects contemplated by Section 1.1 of the RFP.

Evaluation Criteria and Ranking

Criteria:

1. Business Plan
2. Technology and Project Configuration
3. Proponent's Capability
4. Project Financing
5. Commercial Arrangement; Risks and Returns
6. Project Execution
7. Bitumen Feedstock
8. Project Economic Viability
9. Product Diversification
10. Environmental Performance
11. Government Strategic Objectives

Ranking:

- A – Criterion not met
- B – Criterion partially met
- C – Criterion met
- D – Criterion exceeded

Evaluation Metrics

(What we are looking for)

The Proposal (What?)	Connectors/Enablers (How?)	Alberta Benefits (Why?)
1. Business Plan	5. Commercial Arrangement, Sharing of Risks and Returns	8. Project Economic Viability
2. Technology	6. Project Execution	9. Product Diversification
3. Proponent's Capability	7. Bitumen Feedstock	10. Environmental Performance
4. Project Financing		11. Government Strategic Objectives

Evaluation Example

Criteria: Business Plan

- Provide an overall description of your project.
- Indicate whether you are proposing a Purchase Agreement, a Processing Agreement or in the alternative.
- Outline the business plan for your project.
- Describe the location of your project.
- Describe your project's infrastructure requirements and plan to meet them.
- Set out your project timelines and key milestones.
- Describe the current status of your project.

Evaluation Example *(continued)*

Criteria Ranking:

A	The Proposal is deficient in many of the business plan expectations described in the above Preamble.
B	The Proposal meets most of the business plan expectations described in the Preamble but either misses some of the expectations or the justifications are unclear or not fully convincing.
C	The business plan described in the Proposal is comprehensive and includes the project's alignment with expanding energy markets with a clear marketing strategy and plan. The Processing Facility will be located in Alberta's Industrial Heartland, or alternatively at a location that presents, as convincingly demonstrated by the Proposal, logistical and value-added advantages equal to or better than Alberta's Industrial Heartland. The history and current status of the project and the remaining steps required to full project sanction are set out clearly ...
D	... AND an innovative vision of how this project fits into the expectations for a growing market for Alberta upgraded energy products is provided.

5. Facilitated Q&A

Thank you!

Contact information:

BRİK@gov.ab.ca

www.energy.alberta.ca/BRİK.asp