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Canadian Refinery May Be Slowed by Lack of Financing (Update2)

By Ian McKinnon

March 14 (Bloomberg) -- **Newfoundland & Labrador Refining Corp.**, the company proposing Canada's first new refinery in more than two decades, said it may slow the project because of diminished financing availability.

Design work and other development activities for the plant, which will have an oil-processing capacity of 300,000 barrels a day and will be located in Placentia Bay, Newfoundland and Labrador, continues, the company said today in a statement.

The company planned to fund about half of the project through debt, said **Brian Dalton**, chief executive officer at Altius Minerals Corp., majority owner of Newfoundland & Labrador Refining. Sponsors of the plant won't start construction until capital markets improve, he said today in a telephone interview.

``Effectively, the debt markets are closed at the moment,'' Dalton said. ``It's not a pricing issue, it's just a general availability issue.'' The start of construction ``depends very much on when the markets open. We're not going to start it unless we know we can finish it, that's for sure.''

Credit markets in the past six months tightened after a collapse in U.S. subprime mortgages forced banks and hedge funds to write off hundreds of billions of dollars in debt. The Altius-led group planned to start the four-year construction phase of its project this year.

Not Since 1984

A refinery in Canada hasn't been built since Royal Dutch Shell Plc opened a 100,000-barrel-a-day plant in Alberta in 1984. Closely held Irving Oil Ltd. said in 2005 that it may spend C$7 billion ($7.1 billion) to build a refinery in Saint John, New Brunswick, capable of processing 300,000 barrels of oil a day.

St. John's, Newfoundland-based **Altius** owns more than 40 percent of Newfoundland & Labrador Refining and has an option to increase its stake to 51 percent, Dalton has said.

Altius fell 94 cents, or 5.6 percent, to C$16 in Toronto Stock Exchange trading. The **stock** has dropped 44 percent this year after more than doubling in 2007.

Newfoundland & Labrador Refining is considering design changes to raise diesel production and capitalize on strong demand in Europe for the fuel, Dalton said. Diesel may account for as much as 75 percent of the plant's output, up from the 67 percent planned previously.

The company doesn't yet have a cost estimate that reflects the proposed changes, inflation and a rise by Canada's currency against the U.S. dollar, Dalton said. Construction costs previously were pegged at $4.6 billion. Insurance and other expenses would total an additional $500 million.

Newfoundland & Labrador Refining may work with other companies on storage tanks, a shipping terminal and other infrastructure that could reduce costs by as much as $1.5 billion, Dalton said.

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