

**BRIEFING FOR CABINET SECRETARY FOR ECONOMY, JOBS AND FAIR WORK
SCOTTISH GOVERNMENT, UK GOVERNMENT, AND SCOTLAND OFFICE VISIT TO
GRANGEMOUTH REFINERY**

Thursday, 6 October 2016

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| Key Message | <p>Grangemouth has significant economic and strategic importance to Scotland, and the Scottish Government wants to see a sustainable future for the refinery business.</p> <p>Scottish Government will seek to work closely with the UK Government and the JV partners to encourage a positive investment outcome at the refinery.</p> |
| Who | <p>Franck Demay – CEO Grangemouth Refinery, PetroIneos Mr Si Bingjun – CEO PetroChina International (London) James Chwu - Commercial Manager, Grangemouth Refinery Russell Mann – Refinery Manager, PetroIneos Baroness Neville-Rolfe – Minister of State for Energy Lord Andrew Dunlop – Scotland Office</p> |
| What | <p>Pre-meeting with Baroness (Lucy) Neville-Rolfe and a Joint (Scottish Government, Scotland Office, and BEIS) Ministerial visit to the Grangemouth Refinery.</p> <p>Building on previous Ministerial engagement with both JV Partners at the refinery (PetroChina and Ineos) and the recent meeting between the First Minister and the UK Secretary of State for BEIS, this visit is an opportunity to hear first-hand from PetroIneos about the decision making process and plans for investment at the refinery.</p> |
| Why | <p>Grangemouth refinery plays a substantial role in the Scottish Economy, directly employing around 1,500 and around 5,000 when indirect and induced employment are added.</p> <p>REDACTED</p> |
| Where | <p>Pre-meeting: Radisson Blu, 80 High Street Edinburgh.</p> <p>Refinery Visit: INEOS Grangemouth Business Centre, Gate 4, Bo'ness Road, Grangemouth, Stirlingshire FK3 9XH.</p> |
| When | <p>Thursday, 6 October 2016:</p> <ul style="list-style-type: none"> • Pre-meeting with Baroness Neville-Rolfe - 13:10-13:40 • Grangemouth Refinery Visit - 14:30-16:15 |
| Officials | <p>David Ritchie, Deputy Director, Hydrocarbons Division (REDACTED) REDACTED, Head of Offshore Oil and Gas (REDACTED)</p> |
| Attached | <p>Annex A: Biographies</p> |

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| documents | Annex B: Agenda Annex C: SG Introductory Remarks Annex B: Summary of Key Issues for Discussion Annex E: Challenges & Opportunities for Grangemouth Refinery Annex D: Issues Previously Raised by JV Partners |
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Baroness Neville-Rolfe DBE CMG

Minister of State at the Department for Business, Energy and Industrial Strategy



Baroness Neville-Rolfe DBE CMG was appointed Minister of State at the Department for Business, Energy and Industrial Strategy on 17 July 2016.

Education – Lucy was convent educated and studied philosophy, politics and economics (PPE) at Somerville College Oxford. She is also a Fellow of the Institute of Chartered Secretaries.

She joined the House of Lords as a Conservative Peer in October 2013 and served as Parliamentary Under Secretary of State at the Department for Business, Innovation and Skills and Minister for Intellectual Property from July 2014 until July 2016. From May 2015 she was also Parliamentary Under Secretary of State at the Department for Culture, Media and Sport.

Lord Dunlop

Parliamentary Under Secretary of State at the Scotland Office



Andrew Dunlop was appointed Parliamentary Under Secretary of State at the Northern Ireland Office on 17 July 2016. He was also appointed Parliamentary Under Secretary of State at the Scotland Office on 14 May 2015.

Education - Andrew earned BA and MA degrees in Political Science and Government from Edinburgh University.

Political career - In 2012 Andrew became the Prime Minister’s principal adviser within Downing Street on devolved constitutional issues. Earlier in his career he was the head of policy and research for the Scottish Conservative Party, special adviser to the Defence Secretary and a member of the Downing Street Policy Unit.

Franck Demay

CEO, Grangemouth Refinery

Franck joined PetroIneos as Lavera (South of France) site Director from July 2011 until April 2013, in charge of both operations and commercial matters at Lavera refinery.

Since 15th January 2015, Franck is PetroIneos Refining Ltd CEO, leading refinery operation and strategy team in both Lavera and Grangemouth. Franck is also a Director of PetroIneos Trading Ltd and PetroIneos Refining Ltd.

Prior to joining PetroIneos, Franck has spent 5 years within INEOS as Business Director on the Refining board after the acquisition of the Innovene business from BP. Franck was responsible for commercial operations in France and International Trading activity for the INEOS Refining business.

Prior to joining INEOS, Franck has spent 21 years within BP in various commercial and technical roles mostly in the downstream segment. These roles have included Commercial Manager for Lavera Integrated site, BP Marine - Business Manager for Nwe Fuels, BP France - Supply Manager for France, BP IST - Crude oil trader for the Med and technical roles at Lavera refinery for 5 years at the beginning of his career including plant operation supervisor, process control engineer and laboratory quality control team leader.

Si Bingjun

CEO, PetroChina International Ltd, London



Mr Si has been employed by PetroChina since 2002. Current Directorships:

- PetroIneos Europe Ltd
- Ineos Infrastructure (Grangemouth) Ltd
- PetroIneos Manufacturing Scotland Ltd
- PetroChina International (London) Co Ltd
- PetroIneos Trading Ltd.

Mr Si is also Chairman of China Enterprises Association in Britain, and has close ties with a number of Chinese investors and the Chinese Embassy. He has facilitated meetings between the Chinese Ambassador to the UK with the previous FM, and more recently, he visited Scotland with the Economic and Commercial Counsellor from the Chinese Embassy.

Agenda

14:30-15:15: Minibus tour of the Grangemouth facility

Welcome and Introductions

History and overview of the Refinery

15:15-16:15: Ministerial meeting with PetroIneos principals.

Ministerial introductory remarks (See **Annex C**)

PetroIneos Presentations:

- European Refining Environment
- **REDACTED**
- **REDACTED**

ANNEX C: SG INTRODUCTORY REMARKS

- Thank you for the introduction and for inviting me to the Grangemouth complex today.
- I very much welcome the opportunity to strengthen the links between the Scottish Government and important investors such as PetroIneos.
- I am aware of the structural challenges facing many European and UK refiners.
- I welcome the opportunity today to hear more about the refinery operations and the challenges facing the complex.
- I am also hopeful that our meeting today will provide a useful opportunity to hear first-hand about potential plans for the Grangemouth refinery.
- **REDACTED**
- **REDACTED**
- **REDACTED.**
- With that said, I look forward to hearing from your colleagues now about the outlook for the refinery and next steps.

Key Issues for Discussion

1. Understand the current issues impacting refinery performance

- Market conditions for UK refiners remains challenging. However, Grangemouth benefits from a number key strategic strengths within the UK. A summary of the Challenges and Opportunities facing GM refinery is available at **Annex E**.
- **REDACTED**.

2. Seek an update from PetroIneos on future investment options at Grangemouth refinery

- **REDACTED**

3. **REDACTED**

Previous Meetings

- SG Ministers and officials have been in detailed discussions with the PetroIneos Joint Venture 'JV' partners (PetroChina and Ineos) regarding further investment in the refinery since 2013.
 - **The aim of these discussions has been to secure a positive decision on new investment at the refinery.**
- The First Minister visited Grangemouth in August 2015, and the Deputy First Minister visited GM in March 2014 and February 2015.
- UK Government Ministers also regularly meet with JV partners to reiterate the importance of this investment for the economy and for security of fuel supply.
- Baroness Neville Rolfe also met with Wang Lihua, Chairwoman of CNPC International Ltd (controlling shareholder of PetroChina) on 25 August.
REDACTED
- Most recently, on 27 September, **the First Minister met with the Secretary of State for BEIS, Greg Clark** and Lord Dunlop in London to discuss the refinery.

Readout from First Minister's Meeting with Secretary of State, Greg Clark

- On 27 September, the First Minister met with Greg Clark, Secretary of State (SoS) for Business Energy & Industrial Strategy (BEIS) to discuss the refinery. (Note: Baroness Neville-Rolfe reports to Greg Clark). Key points from this discussion:
 - **FM outlined that the refinery is a strategic asset, with significant economic importance to Scotland REDACTED**
 - **Both FM and SoS noted that their respective officials were in close contact REDACTED**
 - **REDACTED.**
 - **FM outlined that we should avoid conflating the refinery investment decision with the on-going unconventional oil and gas consultation, SoS agreed. REDACTED**

ANNEX E: CHALLENGES & OPPORTUNITIES FOR GM REFINERY

Market Conditions for UK & European for Refiners

1. Market conditions for UK & European refiners remain challenging. Increased US shale production has both direct and indirect impacts on EU and UK exports of refined products. Additionally, there has been a substantial expansion of global refining capacity, particularly in Asia and the Middle East. These conditions are likely to intensify pressures on refining margins over the long-term.
2. Since 2009, these factors have led to the closure of 17 European refineries, including three in the UK: Teeside (2009), Coryton (2012), and Milford Haven (2014). Despite challenging conditions, the remaining UK refiners are typically large in size and capable of diversified product output. This should present an advantage relative to some less competitive refiners in Europe.

Strategic Position of Grangemouth

3. Grangemouth benefits from a number key strategic strengths within the UK context:
 - directly connected to North Sea production via the Forties pipeline;
 - only refinery that can serve both east and west coasts; and
 - only refinery north of the River Humber.
4. The configuration of the refinery's infrastructure provides it with potential advantage in the context of other UK refineries. Grangemouth is set-up to produce a wider variety of refined products due to its Catalytic Cracker and Hydrocracker, which allow the production of high quality diesel.
5. **REDACTED.**
6. **REDACTED**
7. **REDACTED.**

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Industrial Emissions Directive (IED)

Issue:

- The IED will require further improvements in operation, with tighter emission limits from 2018. **REDACTED**

Comment:

- **REDACTED**

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