

BRIEFING NOTE FOR FIRST MINISTER

Meeting with Jim Ratcliffe, Ineos

28 January 2014

Key Message	The Scottish Government wants to see a sustainable future for the petrochemicals and refinery businesses at Grangemouth.
Who	Jim Ratcliffe, Ineos Chairman
(REDACTED)	
Why	There are a range of live issues facing Ineos. (REDACTED)
Where	London, The Berkeley Hotel, Wilton Place, Knightbridge, London SW1X 7RL
When	10.30 – 11.30, Wednesday 28 January
(REDACTED)	
Attached documents	Annex A – Background & update Annex B – Jim Ratcliffe biography

Purpose of meeting

- Jim Ratcliffe has indicated that he sees this meeting as an opportunity to be introduced to the First Minister, and to provide an update on progress at Grangemouth.

(REDACTED)

- The FM may also wish to ask about Ineos's senior level contact(s) for officials. **Calum MacLean previously covered this role but he left Ineos towards the end of 2014.**

Previous meetings

- The former First Minister and Mr Swinney have met Jim Ratcliffe and senior Ineos staff on a number of occasions, including at the time of the industrial dispute in Autumn 2013.
- The former FM held the most recent meeting with Mr Ratcliffe, February 2014.
(REDACTED)
- Officials have had regular contact with senior Ineos staff over the past year.
(REDACTED)

Ineos Activity

Petrochemicals plant

- Since the end of the industrial dispute in October 2013, Ineos have launched a £300 million investment programme designed to secure the long-term future of the plant. Scottish Enterprise have awarded a £9 million Regional Selective Assistance (RSA) grant to support the investment programme.
- Falkirk Council have granted planning permission for an ethane storage tank and import terminal at the site, and a German engineering firm has been awarded the construction contract. The ethane tank will be the largest in Europe, and Ineos have signed contracts with US shale gas producers and purchased ships to import the US shale to Grangemouth. The cost and reliability of North Sea stocks was the key driver for moving to imported feedstocks. Similar infrastructure at the Ineos plant in Norway is expected to be operational this year.
- The UK Government has agreed to provide a £230 million loan guarantee, allowing Ineos to raise finance for the construction of the ethane tank and associated infrastructure. We understand that construction is now underway, with an expected completion date in 2016.
- In March 2014 Scottish Enterprise agreed to provide an RSA grant of £9m for this work. This is on track and the grant claim for the first 2 instalments (totalling £2.26m) is expected soon. In November 2014 Scottish Enterprise paid the final instalment of a previous RSA £7.6m grant to Ineos for the modification of its Kinneil Gas plant.

(REDACTED)

- Ineos purchased the Fortum combined heat and power (CHP) plant ,which provides electricity and steam to the petrochemicals plant and sells excess to the Grid, for £54 million last year.
(REDACTED)

(REDACTED)

Unconventional oil and gas

- Ineos purchased a 51% share of the shale interest in the Petroleum Exploration and Development Licence (PEDL) 133 at Airth, covering the area surrounding the Grangemouth complex. The remaining 49% of the shale interest, and 100% of the coal bed methane interests are owned by Dart Energy (recently taken over by IGas PLC). Ineos have also acquired an 80% share of the adjacent PEDL 162 from Reach Coal Seam Gas Ltd.
- The company has applied for licenses across the UK. If they are all granted, Ineos will become the largest operator in the UK shale gas industry. On 28 September, INEOS announced plans to give 6% of its shale gas revenues to homeowners, landowners & communities close to its wells, estimating that it will give away over £2.5 billion from its new shale gas business.

(REDACTED)

- The Scottish Government has taken a balanced, evidence-based approach to unconventional oil and gas exploration.
- The Smith Commission has recommended that licensing powers, currently the responsibility of DECC, are devolved to Scotland. The Scottish Government strongly supports the devolution of these powers, which will complement the existing planning and environmental powers Scottish Ministers and Local Authorities.
- **The FM will be aware that Scottish Government will be making an announcement to Parliament on Wednesday 28 January, announcing a moratorium on onshore oil & gas planning applications and the launch of a policy review**

North Sea exploration

- Ineos recently advertised for a number of senior positions in a newly established North Sea oil and gas business, indicating that they had a strong interest in expanding into offshore production.
- Ineos Director Tom Crotty was quoted earlier this month saying: *'The current low oil price is a good thing for us in this respect because it could accelerate the sale by some big companies of North Sea assets'*.

(REDACTED)



Jim Ratcliffe is chairman of INEOS and owner of approximately two thirds of the company's stock. He graduated from the University of Aston, Birmingham with a degree in Chemical Engineering in 1974. Also a qualified accountant, Jim worked for Exxon Chemicals and Courtaulds before moving into private equity finance in 1989. In 1992 he led the team in the buyout of the Inspec Group from BP for £40 million and in 1998 created INEOS by purchasing the chemical operations from Inspec.

Ratcliffe has grown INEOS rapidly by making ever-bigger acquisitions. INEOS' entire modus operandi assumes that it can double the average EBITDA (earnings before interest, taxes, depreciation and amortization) of a cyclical business over a five-year period.