

Agrium in Alaska:

Limited Gas Supply Threatens Our Future

Agrium

Changing Gas Market



Article Courtesy:
Kenai Peninsula
Clarion

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Agrium pursues new gas supplies for Nikiski plant

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Peninsula Clarion

One of the largest cogs in the Kenai Peninsula's economy got a major wrench in its works last November that threatened to throw its productivity, and quite possibly the welfare of the surrounding community, out of whack as a legal dispute over natural gas ensued between industrial giants.



File photo by M. Scott Moon
Agrium produces fertilizer at its plant in Nikiski.

...threat in question has
...ed over the Kenai Agrium
...cated north of Kenai in
...ase July when oil and gas giant Unocal announced it

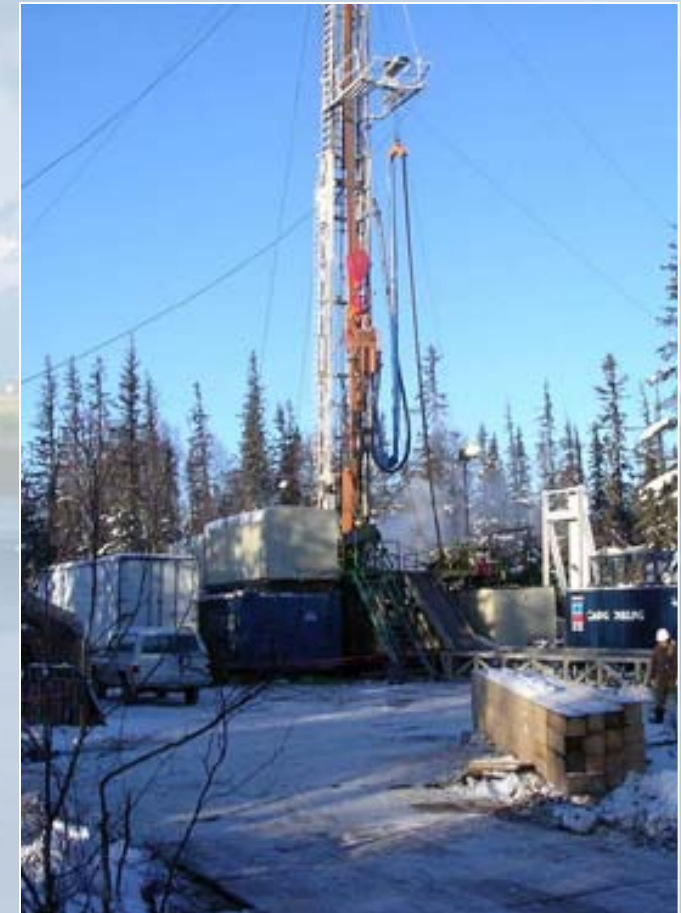
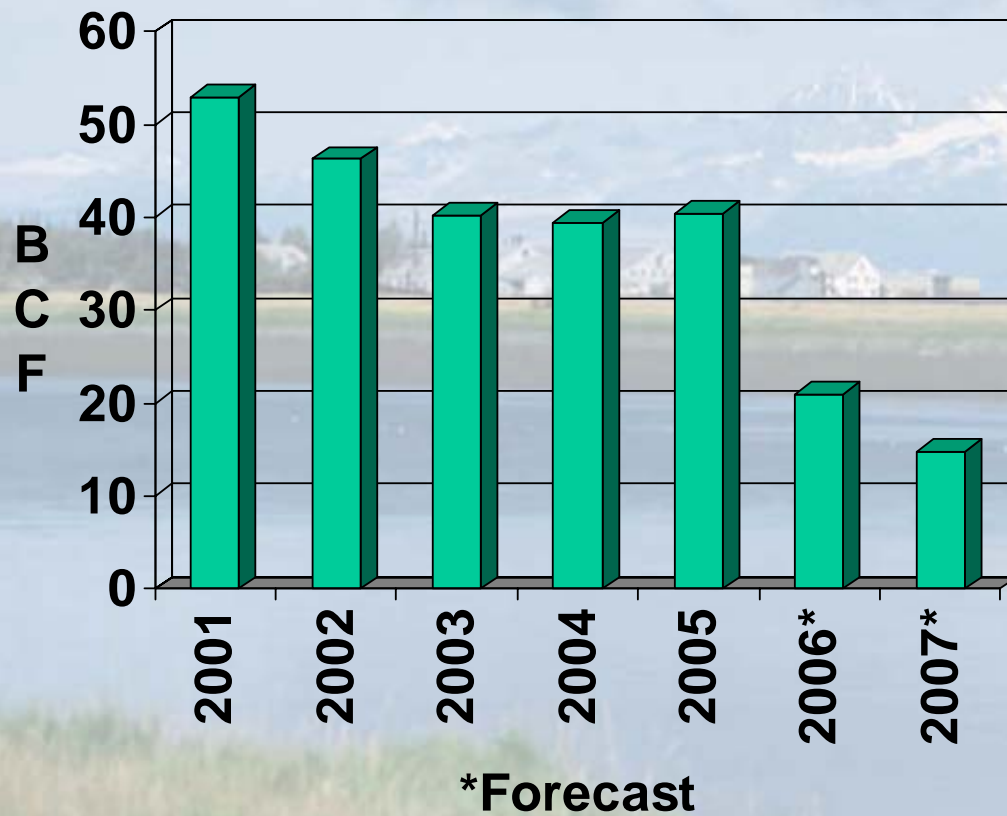
The Agrium logo, featuring the word "Agrium" in a serif font with a green leaf-like symbol above the letter 'A'.

KNO - Operations Today



- Have operated at 50% of capacity since November 2005
 - Prill Urea Plant shutdown October 2004
 - Older Ammonia Plant shutdown November 2005
- Anticipate having extended shutdown during winter months
- Overall operating time November 2006 – October 2007 = 75%

Plant Consumption Declines



A Changing Marketplace



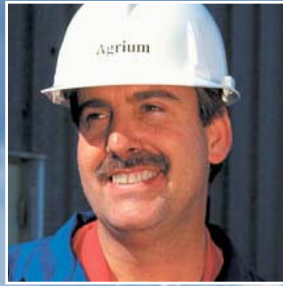
- Natural Gas exploration ongoing but market remains short
- Gas reserves declining
 - Cook Inlet Deliverability has been declining about 50 mmcf each year
- Cook Inlet gas prices increasing
 - Pricing now being indexed to NYMEX

Aggressively Seeking a Solution



- Continue to encourage exploration
- Gas contracts are now year-to-year
- Purchasing gas from most Cook Inlet Producers
- Pursuing alternative long term feedstock – coal gasification
- Need for additional natural gas while exploring alternative to keep plant in good operating condition

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Agrium in Alaska: :

What's Next?

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