

**BRIEFING FOR FIRST MINISTER**  
**MEETING WITH JIM RATCLIFFE, INEOS**  
**Wednesday, 19 October 2016**

|                           |   |
|---------------------------|---|
| <b>Key Message</b>        | <p><b>The Scottish Government values the significant contribution Ineos makes to the Scottish economy, and recognises the important role Ineos can play as new entrants to the North Sea.</b></p> <p><b>The Scottish Government wants a sustainable future for the petrochemical and refinery business at Grangemouth</b></p>   |
| <b>Who</b>                | Jim Ratcliffe, CEO and Chairman, Ineos  |
| <b>What</b>               | <p>An opportunity to discuss a range of issues, including:</p> <ul style="list-style-type: none"> <li>• Grangemouth Refinery (PetroChina/Ineos).</li> <li>• Ineos Petrochemical Plant</li> <li>• <b>REDACTED.</b></li> <li>• Ineos plans for North Sea investments.</li> </ul>  |
| <b>Why</b>                | <p>SG has an important relationship with Ineos, in terms of both the refinery and petrochemical plant.</p> <p><b>REDACTED.</b></p> <p>Ineos have undertaken an ambitious programme of acquisitions in the North Sea and are now shortlisted as a potential buyer for some of Shell's North Sea assets (\$<b>REDACTED</b>). This is an opportunity to discuss their long term plans for the North Sea.</p> <p>Ineos may also use this opportunity to provide an update on their shale gas investments, including ethane tanks and ships.</p> |
| <b>Where</b>              | The Capital Hotel, 22-24 Basil Street, London SW3 1AT   |
| <b>When</b>               | Wednesday, 19 October 2016, 10:00am   |
| <b>Officials</b>          | David Ritchie, Deputy Director, Hydrocarbons Division ( <b>REDACTED</b> )   |
| <b>Attached documents</b> | <p><b>Annex A: Summary</b></p> <p><b>Annex B: REDACTED</b></p> <p><b>Annex C: Refinery Investment</b></p> <p><b>Annex D: Ineos Upstream &amp; North Sea Investment</b></p> <p><b>Annex E: Biographies</b></p>   |

**Purpose of Meeting**

1. SG has an important relationship with Ineos, in terms of both the refinery and petrochemical plant. **REDACTED**
2. **REDACTED**.
3. **REDACTED**
4. Therefore, this meeting may provide an opportunity to:
  - discuss issues impacting on both refinery and petrochemical interests for Ineos (**Annex A & Annex B**); and
  - **REDACTED**
  - Understand Ineos plans for North Sea oil and gas investment (**Annex D**).

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**Refinery & Petrochemical Plant**

5. Ineos is a large scale chemical company, which operates 65 manufacturing sites across 16 countries, with around 17,000 employees. The Grangemouth refinery and petrochemicals facility is Ineos' largest production centre.
6. **REDACTED**:
  - Petrochemicals are used in a range of high-value products including: medicine, clothing, buildings, vehicles, computers, and green technologies, such as wind turbines.
  - There are 32 petrochemical companies based in Scotland. The companies support around 1,700 direct jobs.
  - A cluster of companies operates at GM (benefiting from skills and infrastructure at the site) but there is also a wide geographic spread of companies across Scotland.
  - The largest single employer is Ineos, closely followed by ExxonMobil and Shell.
  - Scotland's wider chemical sciences sector comprises 200+ businesses and its supply chain is estimated to support around 70,000 jobs and contribute around 1.5% of Scotland's GDP.
7. Natural Gas Liquids (NGL) – such as ethane – are important feedstocks for petrochemical processes.
  - Construction of ethane storage tanks at GM was completed in March 2016.
  - Following a \$**REDACTED** investment, the first ship transporting US ethane from Marcellus Shale (Pittsburgh, US), arrived at Grangemouth on 27 Sept 2016.
8. **REDACTED**
9. Not all shale reserves have high a high content of NGLs (like ethane). "Dry gases" (with high methane content) are also common. The primary use of methane is energy generation or injection into gas grids for commercial/household heating.

10. **REDACTED**The Cabinet Secretary, Keith Brown visited Grangemouth Refinery on 6 October, **REDACTED**.

11. **REDACTED**.

12. **REDACTED**:

13. **REDACTED**.

- This pack contains briefing on the Scottish Moratorium on UOG, the research studies and the public consultation. **REDACTED**

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**REDACTED**

14. **REDACTED**.

15. **REDACTED**

16. **REDACTED**.

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### **Scottish Government Moratorium & UOG Research**

17. Scottish Government has commissioned a comprehensive programme of evidence-gathering into UOG, which will be followed by a public consultation that will give stakeholders and communities an opportunity voice their views.

18. The key milestones that were outlined publically on 8 Oct 2015 are set out below:

|                                |                              |
|--------------------------------|------------------------------|
| Commission research            | January/February 2016        |
| Publish final research reports | Summer 2016                  |
| Pre-consultation engagement    | Winter 2015/16 – Autumn 2016 |
| Public Consultation            | Winter 2016/17               |
| Consultation Analysis          | Spring 2017                  |

19. The research projects include:

- Transport - understanding & mitigating community level impacts (Ricardo)
- Decommissioning, site restoration and aftercare – obligations and treatment of financial liabilities (AECOM)
- Understanding and monitoring induced seismic activity (the BGS)
- Economic impacts (KPMG)
- Climate Change (UK Committee on Climate Change)
- Public Health Impact Assessment (Health Protection Scotland).

20. The Research Reports will be published soon; however the **emerging evidence is consistent with the findings of the Independent Expert Scientific Panel.**

21. Key research findings include:

- The **technology exists to allow the safe extraction of such reserves**, subject to robust regulation being in place.
- UOG industry would **present challenges for meeting Scotland’s climate change targets.**

- **using gas as a feedstock in the petrochemical industry could have significant economic benefits** given the contribution of the sector to the Scottish economy.
- In terms of wider economic impacts, development constraints in the midland valley suggest that the **impact of UOG in terms of GVA and supported employment is estimated to be relatively low**, and significantly lower than the offshore industry in Scotland.

22. SG has committed to undertaking work to review the strength and suitability of the current planning and environmental regulatory regimes. The robustness of the regulatory regime is vital to mitigating any risks from UOG and avoiding the types of environmental impacts that have emerged in North America.

- **REDACTED**

**REDACTED**

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

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**REDACTED**

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**REDACTED**

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**ANNEX D: INEOS UPSTREAM – NORTH SEA**

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**INEOS Upstream Business**

- INEOS Upstream is Ineos' new oil and gas exploration and production business.
- The Business consists of two divisions; INEOS Breagh, responsible for the Group's North Sea exploration and production operations, and INEOS Shale, responsible for exploring for shale gas within our licences onshore UK.
- **REDACTED.**

**Ineos Investment in North Sea**

- The North Sea oil and gas sector continues to face considerable challenges.
- **REDACTED** On (1 December 2015) Ineos completed the purchase of all North Sea gas fields owned by the DEA Group, a German-based subsidiary of the LetterOne Group.
- **REDACTED**

**Acquisition of North Sea Assets**

- On 11 October 2015, Ineos announced it was entering the UKCS via the acquisition of LetterOne's North Sea gas fields for a reported consideration of US\$750m (£489m). On 1 December, INEOS completed the acquisition of DEA Group's UK North Sea portfolio.
- INEOS will gain operatorship of five onstream producing assets – Breagh, Clipper South, Cavendish, Topaz and Windermere – and equity in the onstream Anglia, Devenick, Minke, Orca UK and Saturn Area fields. Production from Breagh and Clipper South in 2014 represented around 4% of total UK gas production.
- **REDACTED**

**On 27 September Jim Ratcliffe stated in an interview “North Sea will be finished in 10 years” – given the recent and potential future asset purchases, the FM may wish to ask Jim Ratcliffe about his longer term plans in the North Sea.**

## **ANNEX E: BIOGRAPHIES**

**JIM RATCLIFFE**, *Chairman, Ineos*



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.

**TOM CROTTY**, *Ineos Director*



Tom is a Director of INEOS with responsibility for Corporate Affairs and Communications and the development of INEOS business in new territories. Following a 20 year career with ICI, he came into INEOS in January 2001 as CEO of INEOS Fluor. He subsequently became CEO of INEOS ChlorVinyls and then INEOS

Olefins & Polymers Europe. Tom is a past President of the European Petrochemicals Association (EPCA). He is currently vice President of EPCA, Vice President of Plastics Europe, Chairman of Cogent, the UK Sector Skills Council for the Process Industries and sits on the UK's CBI Climate Change Board.