

## BRIEFING FOR FIRST MINISTER

### MEETING WITH MR SI, CEO PETROCHINA INTERNATIONAL (LONDON)

Thursday, 1 September 2016

<b>Key Message</b>	<ul style="list-style-type: none"><li>• <b>Grangemouth has significant economic and strategic importance to Scotland, and the Scottish Government wants to see a sustainable future for the refinery business.</b></li><li>• <b>Scottish Government values PetroChina's presence in Scotland, and is keen to ensure this is continued.</b></li></ul>
<b>Who</b>	<ul style="list-style-type: none"><li>• Mr Si Bingjun – Chief Exec of PetroChina International (London)</li><li>• Mr James Chwu – Commercial Manager, Grangemouth Refinery</li></ul>
<b>What</b>	<ul style="list-style-type: none"><li>• 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.</li><li>• <b>REDACTED</b></li></ul>
<b>Why</b>	<ul style="list-style-type: none"><li>• The Scottish Government have been in detailed discussions with PC regarding investment in the refinery since December 2013.</li><li>• You last met Mr Si on 9 February 2016. The UK Government has met with the JV partners on a number of occasions in recent months.</li><li>• This meeting provides an opportunity to understand the key factors influencing this investment decision <b>REDACTED</b></li></ul>
<b>Where</b>	Bute House, Edinburgh. This is a private meeting.
<b>When</b>	<b>Thursday, 1 September, 2016, 14:30-15:30</b>
<b>Supporting Officials</b>	<b>David Ritchie</b> , Deputy Director, Hydrocarbons Division ( <b>REDACTED</b> )
<b>Attached documents</b>	<b>Annex A: Biographies</b> <b>Annex B: Key issues for discussion</b> <b>Annex C: Refinery Investment</b> <b>Annex D: REDACTED</b> <b>Annex E: REDACTED</b> <b>Annex F: Industrial Emissions Directive</b> <b>Annex G: Industrial Disputes</b> <b>Annex H: Bo'Ness Road</b> <b>Annex I: Non-Domestic Rates</b>

**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 the China Chamber of Commerce in the UK (CCCUK), 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 First Minister, and visited Scotland with the Economic and Commercial Counsellor from the Chinese Embassy.

**James Chwu - Commercial Manager, Grangemouth Refinery**



James Chwu previously had responsibility for the management of the Marketing Development Department and Shipping Department in PetroChina.

James assumed the position of Commercial Manager of the Grangemouth Refinery in 2015.

**AREAS TO EXPLORE WITH MR SI:**

**REDACTED**

Note: Keith Brown will be visiting Grangemouth on 6 October, alongside Scotland Office and UK Government Ministers.

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**ADDITIONAL ISSUES MR SI MAY RAISE**

**REDACTED**

**Industrial Emissions Directive (IED) – (more details in Annex F)**

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

**Comment:** **REDACTED**

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**Industrial Disputes – (more details in Annex G)**

**REDACTED**

**Comment:** Previous action, such as the Forth Ports industrial action earlier this year was carried out in full accordance with the law; official pickets were established at or near employee’s place of work and peaceful assemblies were established at other points. Picketers would be only acting unlawfully if their conduct were to constitute a private nuisance or obstruct the road, and in such cases police would then have power to intervene.

**REDACTED**

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**REDACTED**

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**REDACTED**

**REDACTED**

**REDACTED**

### Issue:

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

### Latest Update:

**REDACTED**

### Brexit:

- Within the context of Brexit, the Scottish Government has already set out its commitment to maintaining high environmental standards. The European Free Trade Agreement, which applies to Norway, Iceland and others, requires those countries to comply with the Industrial Emissions Directive. Other free trade agreements are less precise but commonly prohibit watering down of environmental standards to attract or retain investment

### Industrial Disputes / Picketing / Peaceful Assembly

#### Issue:

- At the last meeting with Mr Si, he highlighted security concerns and operational disruptions due to industrial disputes and picketing.
- The Forth Ports industrial action earlier this year was carried out in full accordance with the law; official pickets were established at or near employees place of work and peaceful assemblies were established at other points.

#### Considerations:

- Ministers cannot direct the police in relation to any specific operational activity.
- Lawful pickets must be at or near employee's principle place of work; even if this means that a picket is located at an entrance shared with employees of a different company.
- Picketers would be acting unlawfully if their conduct were to constitute a private nuisance or obstruct the road and police would then have power to intervene.
- Secondary picketing would be unlawful but the public has a right to peaceful assembly which effectively achieves a similar goal (with some restrictions on direct activities of the those involved e.g. no right to approach drivers, etc)
- In terms of peaceful assemblies, police have no legal powers to move them or to intervene provided their conduct is lawful.
- In the event of unlawful conduct, persons suffering harm as a consequence of the picket/assembly may apply for an interdict and/or damages through civil courts and this would be a matter for PetroIneos to consider should future disputes impact on their business.

**REDACTED**



**Bo'Ness Road & Grangemouth Complex – Issue:**

- The A904 Bo'ness road, which runs through the GM complex, reopened in March.
- Once ethane starts being shipped to the site, the petrochemical plant and associated infrastructure will be running at full capacity.
- Ineos contend that it would be safer for traffic to use an alternative route that goes around the periphery of the site, rather than go directly through the site.
- **REDACTED.**

**Closure of the Bo'Ness Road: Background:**

- **REDACTED.**
- There was strong resistance to suggestions of closing the public road at the time by local authority and also by Central Scotland Police. **REDACTED**
- For local authority, closure of the road through normal planning channels would have meant closing off a public highway which formed part of the bus routes in the area, would be an inconvenience to the public **REDACTED**
- **REDACTED**
- **REDACTED.**

**Recent Developments:**

- On 25 August, Ineos submitted a Proposal of Application Notice (PAN) with the council to permanently close the road between Inchyra Road and a point east of the Avon Bridge. A subsequent planning application is expected to be submitted to Falkirk Council in November  
**REDACTED**

### Top Lines

- We are committed to competitive business rates.
- An external review will ensure business rates reflect economic conditions and support growth.

### External review to report to SG by summer 2017

- Ken Barclay, ex chair of RBS Scotland, leading the review group.
- REMIT: To explore ideas and options to improve the business rates system in Scotland to better support business growth that (i) consider how the system can respond to wider economic conditions and changing marketplaces; (ii) support long-term growth and investment; and (iii) are based on overall revenue neutrality and on maintaining the overall level of funding for local government.
- **Reforms to the rates system are currently being considered by the Barclay review, which has issued an initial call for submission – we would encourage companies to get involved by submitting their suggestions for reform by 7 Oct (noting the review will be revenue neutral).**  
<https://consult.scotland.gov.uk/rates-review/barclay-review-of-business-rates>

### Large business supplement falls to those with the broadest shoulders

- Those paying the supplement have an overall 3.4% annual increase in their rates bill for 2015-16, which is comparable to increases in previous years.

**REDACTED**

### **Background – general NDR outlook**

- Valuation is for the independent Assessors, but poundage rates and reliefs are set by Ministers.
- Revaluation will take effect on 1 April 2017.
- SG has committed that draft revaluations will be made available as early as possible.
- SG will set the rates poundage and reliefs for 2017 to take account of the revaluation effect – default approach is ‘revenue neutral’ allowing for inflation. Usually announced at the Local Government Finance statement in December.
- SG is currently consulting on whether and how to operate ‘transitional relief’ from 2017, whereby revaluation ‘winners’ (those with rateable value dropping) subsidise ‘losers’ (those with rateable value increasing) over, say, a 3-year period.
- SG ran a transitional relief scheme for 2005 revaluation, but not for 2010, as it would have benefited the public over the private sector.
- SG has announced decapitalisation rates for 2017 higher than those in England. Grangemouth refinery and petrochemical works will be subject to a 4.6% decapitalisation (to convert capital to rental value), against an equivalent rate of 4.4% in England.
- Poundage is 48.4p in Scotland and England for 2016-17; large business supplement is 2.6p in Scotland and 1.3p in England.
- Offshore property is not liable for rates.

**REDACTED**