

June 24, 2011

Alberta inks deal for Shell Quest CCS project

Province, feds partner with industry to move CCS technology forward

Fort Saskatchewan... The Government of Alberta has taken another step toward realizing its climate change goals by signing a final agreement with Shell Canada Energy for the Shell Quest carbon capture and storage (CCS) project.

“By continuing to move CCS technology forward, Alberta is demonstrating its ongoing leadership in realizing the commercial-scale deployment of this technology and greening our energy production,” said Premier Ed Stelmach.

The project will capture and store more than one million tonnes of carbon dioxide (CO₂) per year from the Scotford Upgrader and its expansion. The province has allotted \$745 million in funding for the Quest project over 15 years.

“Canada is a world leader in carbon capture and storage and we are in an excellent position to use this technology on a wide scale,” said the Honourable Joe Oliver, Minister of Natural Resources. “The Government of Canada is committed to supporting innovative clean energy technologies such as the Shell Quest project which will help to bring high-quality jobs to Alberta while contributing to the responsible development of Canada’s energy resources.”

The Government of Canada is contributing \$120 million toward this project through the Clean Energy fund to help demonstrate CCS technology and advance Canada’s leadership on clean energy technologies while reducing greenhouse gas emissions from energy production.

As a short-term measure to help ensure large-scale carbon capture facilities can move forward, Alberta is updating its carbon offset program to allow multiple-credits. This modification will only apply to projects that are primarily used for straight injection and sequestration - it will not apply to enhanced oil recovery projects which remain eligible for offset credits under the current system. Under the concept of multiple credits, large-scale, direct injection CCS projects that meet specific criteria will receive a bonus credit for every tonne of offset credit created through the capture and storage of their CO₂.

“While we fully expect the price of carbon to rise over the long-term, CCS projects are at a stand-still globally. Raising our own price of carbon while the rest of North America focuses on other priorities would put Alberta at a competitive disadvantage,” said Stelmach. “Our willingness to update our program is an example of Alberta taking action to reduce emissions while others continue to talk.”

“Quest would be the first application of CCS technology for an oil sands upgrading operation,”

says John Abbott, Shell's Executive Vice President of Heavy Oil. "Not only would it allow us to significantly reduce the carbon footprint of our oil sands operation here in Alberta, but it will contribute to the global knowledge that will help to get other CCS projects up and running more quickly."

Shell Canada Energy is undertaking the Quest project on behalf of the Athabasca Oil Sands Project, a joint venture between Shell Canada, Chevron Canada Limited and Marathon Oil Canada Corporation.

This agreement is part of the provincial government's \$2-billion commitment to reduce greenhouse gas emissions through CCS technology. The province also signed a final agreement with Enhance Energy in February 2011 for the construction of the Alberta Carbon Trunk Line, which is also receiving funding from the Government of Canada. Negotiations for the two remaining projects continue.

The Alberta government is working to build a better Alberta by fostering economic growth, strengthening our health and education systems, investing in infrastructure, supporting safe and strong communities and ensuring a clean and healthy environment.

The Government of Canada's investment comes from the Clean Energy Fund which is part of Canada's Economic Action Plan. This program provides \$795 million over five years to support research and development projects that will advance Canada's leadership on clean energy technologies and reduce greenhouse gas emissions from energy production.

-30-

Backgrounder: Shell Quest Project; Multiple Credits

Media inquiries may be directed to:

Lisa Elliott

Communications

Alberta Energy

780-427-0265

To call toll free within Alberta dial 310-0000. media-desk@shell.com

Stephen Doolan

Media Relations

Shell Canada

1-877-850-5023

Office of the Minister

Natural Resources Canada

Ottawa

613-996-2007

or

Media Relations

Natural Resources Canada

Ottawa

613-992-4447

June 24, 2011

Shell Quest Project

- The Shell Quest project will be located in Alberta's Industrial Heartland near Fort Saskatchewan.
- Carbon dioxide (CO₂) will be captured from the steam methane reformers which produce hydrogen for upgrading oil sands bitumen.
- The CO₂ will be injected 2.3 kilometres below the earth's surface underneath solid cap rock.
- Regulatory applications for the Quest Project were submitted in November 2010. Pending regulatory approval, Shell would make a decision to proceed with the project in 2012, with first injection in 2015.
- The total cost for the construction and first 10 years of operation for the project is estimated at \$1.35 billion. The Government of Alberta is investing \$745 million and the Government of Canada is contributing \$120 million to this project.
- Shell Canada Energy is undertaking the Quest project on behalf of the Athabasca Oil Sands Project, a joint venture between Shell Canada, Chevron Canada Limited and Marathon Oil Canada Corporation.

Multiple Credits

- A short-term measure to ensure large-scale CCS projects can move forward.
- The modification only applies to projects that are primarily used for straight injection and sequestration. It does not apply to enhanced oil recovery projects.
- In addition, in order for projects to be eligible for multiple credits, the carbon dioxide capture process must be associated with refining or upgrading bitumen and projects must have an annual capture capacity that exceeds one million tonnes of CO₂.
- Every verified tonne that is captured and permanently stored will be issued an offset credit as enabled through the current system, as well as a bonus credit starting at one extra credit.
- Companies can use bonus credits to comply with required greenhouse gas reductions or to trade into the carbon market.
- Tighter restrictions will apply to the bonus credits to minimize impact to the existing market:
 - The amount of bonus credits issued declines to zero as the price of carbon increases.
 - Bonus credits will be issued for no more than 10 years.
 - Bonus credits must be used within three years or they will expire.
 - Bonus credits are not issued in years where a project is in a positive net revenue position.

-30-

Media inquiries may be directed to:

Lisa Elliott
Communications
Alberta Energy

Stephen Doolan
Media Relations
Shell Canada

780-427-0265

1-877-850-5023

To call toll free within Alberta dial 310-0000. media-desk@shell.com

Office of the Minister
Natural Resources Canada
Ottawa
613-996-2007

or

Media Relations
Natural Resources Canada
Ottawa
613-992-4447

[Alberta Government](#) | [Newsroom](#) | [Ministries Listing](#) | [Energy Home Page](#) | [News Releases](#) | [Top of Page](#) |

[Send us your comments or questions](#)

Copyright(©) 2011 Government of Alberta

