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## Job cuts expected as Shell turns Montreal refinery into storage facility (Shell-Refinery-Que)

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MONTREAL \_ Shell Canada will convert its Montreal refinery into a storage centre for gasoline, diesel and aviation fuels, essentially spelling the end for the venerable, 76-year-old facility after it failed to attract a buyer.

Job cuts are expected, with the union representing employees at the plant expressing concern that the overwhelming majority of its members will be left without work.

The oil giant made the announcement Thursday after a months-long review of the Montreal East facility, which employs about 450 people in addition to some private contractors.

The conversion into a terminal should take about a year. Montreal will be left with just one operational commercial refinery, the old Petro Canada facility now owned by Suncor Energy Inc. (TSE:SU)

Shell said the 130,000-barrel-a-day refinery no longer fits the company's long-term plans.

"Shell's preferred option was to sell the refinery and despite significant efforts to market the facility to a number of parties, no buyer was found," Shell spokesman Larry Lalonde said in an interview.

Unionized employees at the Montreal East refinery had sounded the alarm in July, fearing that the company would be shutting down the facility altogether.

Lalonde said employees were told about the move Thursday. He said the facility will operate with fewer employees in the future.

"It means that there will be less employees in the long-term, but what that looks like today, we don't have a number on what that'll look like," Lalonde said.

The union representing workers wasn't hopeful Thursday. It said there would only be a handful of workers left once the conversion was complete.

"Of the 500 direct employees and the 2,500 indirect employees, there will only be about 30 employees working at the terminal," said Jean-Pierre Rocheleau, president of Local 121 of the Communications, Energy and Paperworkers Union of Canada.

"We don't have any details about what would be happening to the employees."

Rocheleau said he expects to lobby all levels of government in an attempt to stop the closure of the plant, which Rocheleau said injects more than C\$200 million each year into Montreal's economy.

"Economically, we can't permit this refinery to close," Rocheleau said.

But Shell said it had little choice after considering its options.

"The difficult decision was made after extensive deliberation," said Christian Houle, general

manager of the refinery.

"We appreciate the decision impacts employees and their families and we certainly intend to support them throughout the process."

Shell Canada is the privately owned unit of Royal Dutch Shell Group (NYSE:RDS.A), the British-Dutch energy giant that is one of the world's biggest oil and gas companies, with operations spanning the globe.

The company said more details about the conversion plan would be released in the coming months.

Analysts say attempting to sell or shut down smaller refineries in favour of larger facilities is quickly becoming the norm in the North American market because of weak demand during the economic downturn.

"It's pretty indicative of what we've been seeing right across North America," said Canadian oil analyst Michael Ervin.

"There is surplus capacity in the refining sector. A few short years ago we'd never thought we'd see that in the refining sector."

That's led to refinery closures across North America.

"Royal Dutch Shell had five on the market and Montreal was one of them," said Roger McKnight, a senior petroleum adviser for Oshawa, Ont.,-based consultancy En-Pro International.

The trend shows oil companies increasingly getting out of refining and marketing, with demand low because of the recession, and refocusing on exploration and production of crude and natural gas.

"Right now there is so much supply and very little demand because of the recession," McKnight said.

"But when you take out refineries the size of the Shell refinery \_ we only have 16 as it stands today \_ the supply-demand equation tilts the wrong way as far as the consumer is concerned."

Calgary-based Shell Canada is one of this country's biggest oilsands operators, owning 60 per cent of the Athabasca oilsands project in northern Alberta.

The energy company is also a big natural-gas producer in Western Canada, and off the East Coast it runs a national gasoline-station network.

Shell is also Canada's largest sulphur producer, and employed about 4,800 employees in 2008.

Read more: <http://www.oilweek.com/news.asp?ID=25959#ixzz0byYwuESa>