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Dartmouth Refinery Future Looks Bleak

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By Amanda Fraser

Imperial Oil's Dartmouth refinery will meet the same fate as Shell's Montreal operation in about four years, warns an Ontario petroleum consultant.

"It's safe for the time being, but I don't know how far out we can go with that," said Roger McKnight, a senior petroleum adviser for Oshawa-based En-Pro International.

"I can see it closing in about four years. It's just too old and it costs too much money to upgrade it."

The Dartmouth refinery, which opened in 1918, staved off the threat of closing three years ago.

One of the smaller refineries in the country, it processes 89,000 barrels of crude oil per day and supplies markets in Atlantic Canada and eastern Quebec with products such as unleaded gasoline, jet fuel, furnace oil and diesel.

Shell recently decided to close its Montreal refinery, and convert it to a distribution terminal. The 76-year-old refinery processed 150,000 barrels of crude oil per day, and employed 500 people.

McKnight said although the Shell shutdown gives the Dartmouth refinery "more justification for existence," an oversupply of fuel means margins in the refinery business aren't what they used to be.

"Inventories in the U.S., which control the prices in Canada - are very, very high. You have demand down to flat at best. And the future of demand does not look good. I think we've reached our peak for gasoline demand in 2007 and you'll never see it that high again," he said.

There could be a short-term silver lining for Dartmouth, however, as supply will likely tighten up, he said.

Aside from aging Dartmouth refinery, three refineries remain in Quebec and Atlantic Canada: Ultramar in Quebec City processes 250,000 barrels per day; Suncor in Montreal does 130,000 barrels per day; and Irving in Saint John, N.B. does 300,000 barrels per day.

Bruce March, president of Imperial Oil, said in April that while the Dartmouth refinery is profitable, it's limited by its scale and size.

In 2006, Petro Canada decided to shut down its 80,000 barrel per day refinery in Toronto because the company couldn't justify the expense of repairs.

Imperial Oil recently completed Phase I of a two-phase project to improve emissions at the Dartmouth refinery by 25 per cent. The second phase will be completed by the end of 2010.

If Imperial Oil decides to close its Dartmouth refinery, that will increase the East Coast's reliance on Irving. The largest refinery in the country, most of its product is diverted to the U.S.