

January 24, 2023

Presentation to ND Legislative Session

Mr Chairman and Committee members,

Thank you very much for the opportunity to present at this hearing.

Standing back and looking at the world, we are in very unique times.

We, at Cerilon breathe and live our values every day which can be summarized in 4 pillars, Ownership, Leadership, Stewardship and Excellence.

This means that we will own the challenges, opportunities, and decisions on which we take action, step forward, and lead with vision and courage. We plan with intentionality, mindful that we are stewards of what has been entrusted to us very. This means that we steward the environment, the people, the resources, the experience, knowledge, the know-how we create for future generations. This is not something we take lightly. We continuously strive towards excellence in our actions, interactions and results.

Globally we see a focus on the environment, development constraints, carbon reduction. We accept those expectations and are doing our part to support and respond to these expectations. Over the past decade, we have seen movement from globalization to the need for having energy and product security and managing global supply chain challenges. The global pandemic has resulted in increased costs, and scarcity or challenges accessing critical skills in the workforce. We need to lead with a adaptive strategic plan.

Amidst it all we also see courage, beauty, people making a difference, young and old standing up for their families, communities, and their countries. This is not a time for mediocracy, but a time for focused effort to protect our future, to protect our environment, to protect our children. This is a time for leadership and action.

Both the energy and the agriculture industries are at a pivotal point. The decisions we are making today will direct our shared future in North Dakota for the next several decades. During downturns, recessions, and rapid growth, it is the people with strategic leadership that will have an edge to direct the future.

In North Dakota we want to achieve a few strategic objectives:

- 1) Enhance energy security and develop a downstream industry leading to a robust energy industry in the State that can withstand boom and bust cycles and add value in the State of ND. Protection of the current oil and gas production with improved local offtake of gas will be crucial in the next number of years with the rising opportunity for more oil production, downward pressure on flaring, and the increase in the Gas Oil Ration (GOR) of legacy wells. The ability to move more gas and thus not have to curtail oil production is strategic.
- 2) We want to create a platform to establish integration between the energy and downstream

industries for a more robust energy sector in North Dakota. GTL, Ammonia and fertilizer developments, and other downstream chemical facilities are good examples of this.

- 3) We want to create new technology jobs for people in North Dakota and strengthen the communities across the state with relevant infrastructure and support.

The tax bill change is important because we want North Dakota to continue to be competitive compared with other jurisdictions. Tax is one of the levers that will positively influence a project business case. The State's investment package needs to include tax relief, positive investment environment, incentives, and debt support.

The objective of the proposed tax changes is really to extend existing tax incentives to new entrants in the downstream and chemical industry. Those existing incentives exempt tangible personal property used to construct a fertilizer or chemical processing facility in this state, and any component integral to the fertilizer or chemical processing plant from being subject to sales and use tax. The bill also provides for a new fund to assist local tax authorities with interim funding during initial periods of property tax exemptions also offered in any offered total tax incentive package. The Cerilon GTL project is one such processing facility that would be eligible for this proposed continued benefit.

And what does the State get in return? The Cerilon GTL project will provide the following key benefits:

- 1) Provide winter and summer diesel within North Dakota into sectors like mining, agriculture and oil fields all of which supports energy security and local demand. Our diesel contains virtually zero Sulphur and has additional environmental benefits with lower SO_x, NO_x and particulate emissions, while also fully biodegradable compared to conventional diesel.
- 2) Enables and supports Carbon Capture and Sequestration (CCS) creating the lowest carbon footprint GTL facility in the world. Our GTL is classified as a green transition energy and will lead GTL in North America soon. This means that we not only offer exceptional quality products like ULSD, Naphtha and Group III+ lubricant base-oils, but low carbon products.
- 3) Provides a large user of natural gas within the State, in the order of a ¼ bcf of natural gas per day for Plant number one. We are considering building a second, duplicate plant on our site a few years after the first plant startup which will mean an additional ¼ bcf per day.
- 4) Creates significant synergies and a platform for Ammonia production with the use of Nitrogen and Oxygen from our Air Separation Units. Because we generate Hydrogen as part of our process, both the GTL and Ammonia together with CCS will leave us the capability to produce blue GTL products and blue ammonia on site.
- 5) Our GTL facility will use very little water and be largely self-sustainable in power needs as we generate water in our process and also will have excess self-generated power on-site that could be added back to the grid.
- 6) Create well-paying, skilled jobs, and community development, a hub of expertise for future GTL projects wherever located.

These proposed tax changes support a strategic item in a portfolio of incentives that will be required for the downstream industry development, the agriculture integration, and will be positive enhancement in light of other jurisdictions.

We believe is the right decision at this time for ND.

Thank you very much Chairman and Committee members.

Nico Duursema,
President and CEO
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