

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY



In the matter of:)
)
CONOCOPHILLIPS ALASKA)
NATURAL GAS CORPORATION)
and)
MARATHON OIL COMPANY)

Docket No. 07-02-LNG

**MOTION FOR LEAVE TO FILE SUPPLEMENTAL COMMENTS
AND SUPPLEMENTAL COMMENTS OF AGRIMUM U.S. INC.**

Pursuant to section 590.302(a) of the Department of Energy’s (“DOE”) regulations,¹ Agrium U.S. Inc. (“Agrium”) hereby requests leave to file supplemental comments, and submits the following supplemental comments, in the above-captioned docket. In particular, Agrium makes this submission to inform DOE that Agrium has announced that it will not proceed to develop the Kenai Gasification Project (“KGP Plant”). As the KGP Plant was one of the sources cited by ConocoPhillips Alaska Natural Gas Corporation (“ConocoPhillips”) and Marathon Oil Company’s (“Marathon”) (collectively, “Applicants”) as a potential source of synthetic natural gas (“syngas”) feedstock as an alternative for natural gas supplies in the Cook Inlet region, the determination to not move forward with the plant’s development is a relevant factual development that should be considered by DOE in its decision-making in this matter.

I. BACKGROUND

On January 10, 2007, the Applicants filed an application requesting a blanket authorization to export 99 TBtus of liquefied natural gas (“LNG”) from Alaska on a

¹ 10 C.F.R. § 590.302(a) (2006).

short-term or spot market basis to one or more countries on the Pacific Rim (“Application”).² Numerous parties, including Agrium, filed interventions, comments, and protests. The central issue in this case is whether there are adequate natural gas supplies in the Cook Inlet region of Alaska to satisfy both domestic demand and the requested export authorization.

II. MOTION FOR LEAVE TO FILE ANSWER

Pursuant to section 509.302 of DOE’s regulations, Agrium respectfully requests leave to file the supplemental comments included below. In cases where a supplemental filing may “assist in [DOE’s] consideration of the issues in [the] proceeding” by, for instance, providing information relating “to an event that occurred after the close of the comment period established,” which could not have been addressed specifically in previously filed comments, parties have been granted leave to make such filings.³ As explained in the attached press release, on March 13, 2008, Agrium announced that it will not proceed with the development of a coal gasification plant at Nikiski, Alaska. The prospect of syngas supplies from the KGP Plant was one source of long-term alternative feedstock supplies cited by the Applicants in support of their Application. Given that the adequacy of natural gas supplies to meet the demand for both domestic users and the proposed exports is the central issue in this case, this information will assist DOE and is properly inserted in the record.

² Application for Blanket Authorization to Export Liquefied Natural Gas of ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil Company, filed in Docket No. 07-02-LNG (Jan. 10, 2007) (*hereinafter*, Application).

³ Order Granting Motion of Agrium U.S. Inc. for Leave to File Supplemental Comments, Docket No. 07-02-LNG (Nov. 1, 2007). See also, Order Granting Motions of the State of Alaska and Enstar Natural Gas Company for Leave to File Supplemental Comments, Docket No. 07-02-LNG (Feb. 28, 2008).

Allowing Agrium leave to file these supplemental comments at this stage of the proceedings will not delay or disrupt the proceedings, adversely affect any other participant to the proceeding, delay the ultimate resolution of the application, or impose any additional burdens upon the other parties. In order to augment the record so that DOE has a complete and accurate account of the issues involved in this case, Agrium respectfully requests that DOE grant it leave to file the attached comments, and submits the following supplemental comments.

III. SUPPLEMENTAL COMMENTS

Agrium owns a fertilizer plant located on the east side of Cook Inlet on the Kenai Peninsula in Alaska (“Kenai Fertilizer Plant”). As explained in earlier comments, natural gas is a key feedstock in fertilizer production. In order to run at full capacity, the Kenai Fertilizer Plant requires approximately 53 BCF (56 TBtus) of natural gas per year.

In 2005, Agrium began an investigation into the feasibility of building a plant at Nikiski, Alaska. The KGP Plant would gasify coal from either the Beluga region or from Usibelli Coal Mine Inc.’s existing coal mine in Healy, Alaska. Agrium was studying the feasibility of a coal gasification plant because of its inability to secure long-term natural gas supplies in the region for the Kenai Fertilizer Plant.

The gasification plant was cited by the Applicants in their Application as a potential source of alternative feedstock for the Kenai Fertilizer Plant in the Cook Inlet region. Specifically, the Applicants stated that the KGP Plant “would provide synthetic gas for the continued operation of Agrium’s [Kenai Fertilizer Plant] with additional natural gas and waste heat available for electricity generation.”⁴ The Applications also

⁴ Application at pp. 20-21.

quoted from an article from Gas Daily, which claimed that Agrium “will wean [the Kenai Fertilizer Plant] off natural gas entirely by 2011 by building a facility that converts coal into synthetic gas.”⁵

Earlier this month, Agrium concluded that it currently is not economically feasible to proceed with the development of the KGP Plant.⁶ Obviously, given that the KGP Plant will not be developed, its syngas cannot be included as a substitute source for natural gas supplies in the Cook Inlet region, and should not be considered in DOE’s analysis of the sufficiency of supplies to meet the domestic needs of the region.

Throughout the course of these proceedings, Agrium, as well as other parties protesting the Application,⁷ have demonstrated that Alaska’s Cook Inlet region is facing severe current natural gas supply shortages.⁸ Yet, the Applicants have continually asserted that there are adequate natural gas supplies “to satisfy both regional demand and the requested export volumes during the export term.”⁹ Agrium’s inability to secure gas supplies, and the resulting mothballing of its Kenai Fertilizer Plant, draws into sharp focus the inconsistency between the observed facts in the market – inadequate supplies to meet domestic demand – and the Applicants’ claims.¹⁰ This most recent development –

⁵ Application at n. 64, citing *Agrium Forges Ahead With Coal-Gasification Plant*, Gas Daily, at p. 1 (Nov. 30, 2006).

⁶ See Press Release, Agrium U.S. Inc., *Agrium concludes Kenai Coal Gasification Evaluation* (March 13, 2008) (attached as Attachment 1).

⁷ These parties include Chevron U.S.A. Inc. and Union Oil Company of California (“Chevron”); and Chugach Electric Association, Inc. (“Chugach”).

⁸ See, e.g., Agrium’s Motion to Intervene and Protest at pp. 4, 8, 9, 10-11, and 18-21; Agrium’s Reply Comments at pp. 3 and 4.

⁹ Applicants’ Answer at p. 3.

¹⁰ Even though the Kenai Fertilizer Plant is currently closed, Agrium would like to emphasize that it is able to, and fully intends to, reopen the plant if Agrium can obtain sufficient gas supplies. Thus, the closure of the Kenai Fertilizer Plant does not affect Agrium’s natural gas demand. Agrium’s demand for natural gas remains unchanged – approximately 53 BCF annually. The closure is simply indicative of the fact that Agrium’s demand for natural gas is going unfulfilled.

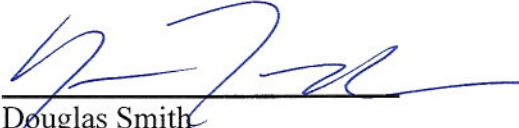
the announcement that the KGP Plant will not be developed – eliminates one potential long-term substitute for natural gas supplies in the region. Insufficiency of natural gas supplies in Cook Inlet, thus, will continue to be an issue.

IV. CONCLUSION

There is a real shortage of natural gas supplies in the Cook Inlet region. While the KGP Plant was cited by the Applicants as a potential source for syngas supplies in the region, that option is no longer being pursued. Agrium respectfully requests that DOE grant it leave to file supplemental comments, and that DOE consider this development in its evaluation of the Applicants' Application.

Respectfully submitted,

Chris Sonnichsen
Director of Alaska Operations
Agrium U.S. Inc.
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Kenai, AK 99611
907-776-3133



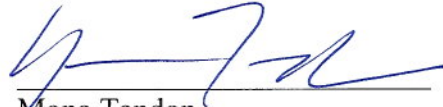
Douglas Smith
Mona Tandon
Van Ness Feldman, P.C.
1050 Thomas Jefferson St, NW
Washington, DC 20007
(202) 298-1800

Dated: March 14, 2008.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Motion For Leave To File Supplemental Comments And Supplemental Comments Of Agrium U.S. Inc. by first-class mail or by email to all parties on the service list for this proceeding.

Dated at Washington, D.C., on this 14th day of March, 2008.



Mona Tandon


Van Ness Feldman, P.C.
1050 Thomas Jefferson St, NW
Washington, DC 20007
202-298-1800

**UNITED STATES OF AMERICA
BEFORE THE
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In the matter of:)
)
CONOCOPHILLIPS ALASKA)
NATURAL GAS CORPORATION) **Docket No. 07-02-LNG**
and)
MARATHON OIL COMPANY)

VERIFICATION

BEFORE ME, the undersigned authority, on this day personally appeared Mona Tandon, who, having been by me first duly sworn, on oath says that she is an attorney for the law offices of Van Ness Feldman, P.C., counsel for Agrium U.S. Inc. in the above referenced matter. She hereby certifies that she has read the forgoing document, knows the contents thereof, and believes that the same are true and correct to the best of her knowledge, information and belief.


Mona Tandon
Van Ness Feldman, P.C.
1050 Thomas Jefferson St, NW
Washington, DC 20007
(202) 298-1800

Subscribed and sworn to before me, a notary public, this 14th day of March, 2008.


Notary Public

My Commission expires:

December 14, 2012

ATTACHMENT 1



MEDIA RELEASE

Agrium concludes Kenai coal gasification evaluation

March 13, 2008 - ALL AMOUNTS ARE STATED IN U.S.\$

CALGARY, Alberta -- Agrium Inc. (TSX and NYSE: AGU) announced today that it has determined that current economics are not sufficient to proceed with a gasification facility to supply coal-based syngas to our Kenai nitrogen facility. The mothball of the facility will be completed shortly.

Agrium continues to advance other gasification opportunities and has a nitrogen off-take agreement with Faustina Hydrogen Products LLC in Louisiana, with an anticipated startup in 2011. In Alberta, Agrium is currently reviewing gasification opportunities of syngas derived from byproducts of bitumen upgrading. Additionally, Agrium continues to examine other gasification possibilities.

About Agrium

Agrium Inc. is a major Retail supplier of agricultural products and services in North and South America, a leading global Wholesale producer and marketer of all three major agricultural nutrients and the premier supplier of specialty fertilizers in North America through our Advanced Technologies business unit. Agrium's strategy is to grow across the value chain through acquisition, incremental expansion of its existing operations and through the development, commercialization and marketing of new products and international opportunities. Our strategy places particular emphasis on growth opportunities that both increase and stabilize our earnings profile in the continuing transformation of Agrium.

Forward-Looking Statements

Certain statements in this media release constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties as well as various assumptions and business sensitivities, including those referred to in the management discussion and analysis section of the Corporation's most recent Annual Report to shareholders as well as those risk factors described in the Corporation's most recent Annual Information Form, which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Other factors that could cause actual results to differ materially from those in the forward-looking statements, include, but are not limited to, the future global supply, demand and price conditions for nitrogen, regional and global prices and availability for natural gas and oil, the results of the feasibility review described in this media release, risks associated with technology, plans to finance and construct the gasification facilities, performance of other parties, changes in environmental and other laws and regulations, regulatory approvals, other development and operating risks, and general economic, business and market conditions. Agrium disclaims any intention or obligation to update or revise any forward-looking information as a result of new information or future events.

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