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VIA FACSIMILE

Mr. Jim Whitaker
Mayor- Fairbanks North Star Borough
Alaska Gasline Port Authority
731 N Street
Anchorage, Alaska
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Mr. Harold C. Heinze
CEO
Alaska Natural Gas Development Authority
411 West 4th Avenue
Anchorage, Alaska
USA 99501

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Dear Sirs:

Re: North Slope to Valdez / Cook Inlet Pipeline Proposal

Agrium is writing this letter jointly to the Alaska Gasline Port Authority and the Alaska Natural Gas Development Authority as Agrium wishes to support this proposed project and wishes to avoid any confusion among the parties at this early stage.

We thank you for the opportunity to meet with your respective groups last week and hear your respective proposals. Agrium is supportive of these proposals to build a natural gas pipeline from the North Slope with a spur line to the Cook Inlet. There may well be a synergistic approach among all the parties supporting this project or a path to success not yet defined at this time and Agrium is willing to work with both parties until such a direction is achieved.

Agrium views the building of such a pipeline as a tremendous opportunity to create significant economic growth and benefit to the State from abundant, but currently trapped North Slope natural gas. We see this project as creating key infrastructure that will allow the creation of a solid foundation for future economic benefit to the State. Your leadership will provide the vehicle that will allow communities, the State and industry to build this project and those that will connect to it.

Currently, the Cook Inlet is undergoing a significant transition that, left uncorrected, will lead to the demise of a vital portion of Alaska's economy. Cook Inlet not only represents the largest consumption of natural gas for utility purposes in the State, but also a substantial gas-based industrial sector which provides both value added exports and a very high economic multiplier. As an example, Agrium's Kenai Nitrogen Fertilizer Plant, which consumes up to 55 bcf/yr of

natural gas, provides an economic benefit of \$9.38 for every mcf of gas consumed – in short a total value of about \$500 M.

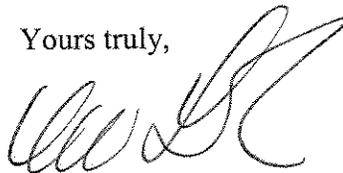
Unfortunately, the supply of natural gas in the Cook Inlet has become very tight and is starting to curtail industrial production. Unless new supplies are created by either the aforementioned pipeline or by exploration development, the Cook Inlet industry will continue its decline and face potential closure in the next few years.

A further consideration is the potential for economic growth in Alaska. The proposed pipeline will not only support existing business, but also create growth such as the proposed Valdez LNG Project. In this vein, when Agrium bought the Kenai plant, its original plan was to expand the existing plant with a view to building an additional plant increasing gas consumption to 80 bcf/yr. The current supply situation has turned this strategy from one of growth to one of survival. A new gas supply has the potential to reverse this to a path of economic growth and benefit to the State.

Agrium recognizes that there are many factors involved in a project of this magnitude. Some of the most critical elements include the maximization/acceleration of extracting value from State resources, the involvement of North Slope producers, and the timeline and terms (including exclusivity) of any pipeline to the Lower 48. Agrium is willing to support and encourage all efforts to develop the North Slope – Cook Inlet – Valdez Pipeline through an economic gas off-take for both the existing plant and a possible expansion. This would be predicated on the timely support of the State of Alaska for the use of its in-situ natural gas for the addition of value to the State's industrial sector.

Agrium looks forward to developing a mutually beneficial relationship, which encourages the development of a pipeline that brings natural gas to south central Alaska.

Yours truly,



Chris Tworek

CWT/mr

cc: Rob Rennie
Lisa Parker
Ashley Evans
Mike Palmer