



K KOCH™
KOCH AG & ENERGY SOLUTIONS, LLC

Koch Fertilizer Canada ULC
Kelly Simonson

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Koch Fertilizer Canada ULC

- Proudly serving Canadian farmers since 1967 & located in Brandon, MB.
- Employ a total of 286 people -126 Staff & 160 Hourly.
- Average length of service is 9.9 years. Current longest service is 42 years. Average earnings of \$111,653.
- Shipped over 18,000 Trucks and 4300 rail cars to customers in Manitoba, elsewhere in Canada and the US in 2024. Total Freight spend was +\$30 MM CAD.
- 40-50 contractors on site every day.
- Our presence in Brandon is major contributor to the presence of 20+ companies in Brandon & Westman.
- Currently supporting more than 20 local groups and charities on an annual basis which includes scholarships and school programs, youth sports, cultural groups, community centers and community charities.
- Continuous Investment – Completed a turnaround in 2025 where we invested in excess of \$275 MM which saw up to 1,000 contractors per day on site. We are unable to pass along these investment costs on to our customers.

Koch Fertilizer Brandon, Manitoba Facility



General Large Service >100kV.

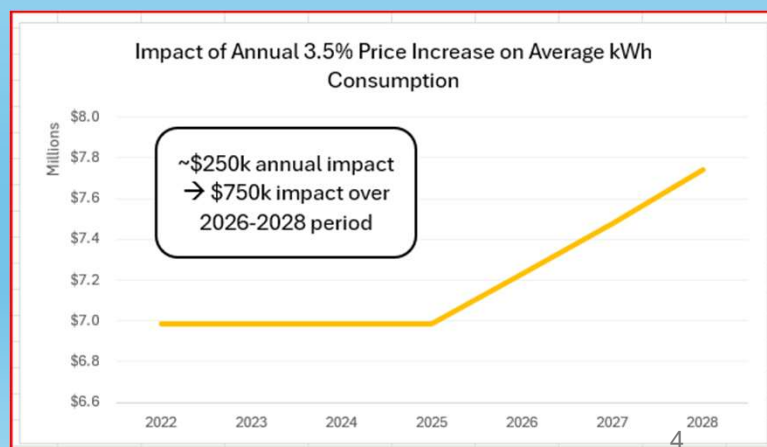
Monthly bill is ~ \$1,000,000. Electricity is one of our largest monthly expenses.

Facility operates 24/7 continuously as the chemical processes need to run uninterrupted.

Only fertilizer plant in Canada to be awarded an Energy Star Award for 4 years in a row from Natural Resources Canada for superior energy performance starting in 2021.

Regulatory Disadvantage

- The regulatory environment in Manitoba has the potential to place Koch Fertilizer at a competitive disadvantage relative to external suppliers of imported fertilizer.
- The power rate increase of 3.5% for the next 3 years, the existing provincial sales tax on natural gas, and the current Federal Carbon Tax threaten to negatively impact our ability to maintain a competitive position in the marketplace.



Market Conditions

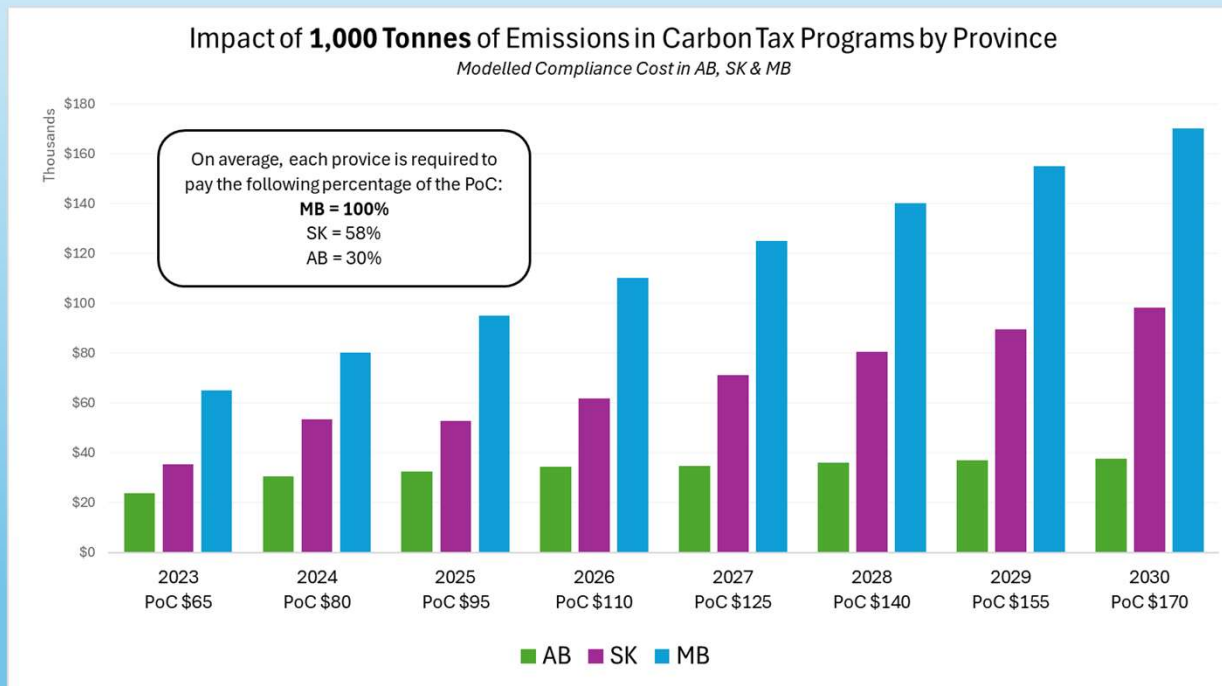


- The Fertilizer market is a very competitive global market with a mix of domestic producers and international producers competing for demand.
 - We compete with manufacturers from Sask, Alta, U.S.A, China, Middle East.
- Due to competitive fertilizer from global suppliers being available in Manitoba and Saskatchewan there is no ability to pass on increased costs to customer.
 - Price taker rather than price setter.
- Industry is forced to absorb costs of improved efficiency with limited opportunity to recover costs due to global pricing constraints.
- Electrical rates in excess of inflationary targets places Manitoba based operations at a competitive disadvantage relative to operations located outside the province.
- All Manitoba businesses need to use resources as efficiently as possible.
- **Rate Increases of 3.5% for 3 years in combination with additional costs put Manitoba industrial operations at a competitive disadvantage.**

Comparative Analysis of OBPS vs Other Provincial Programs

Koch Fertilizer Canada Brandon, MB Forecasted Compliance Cost

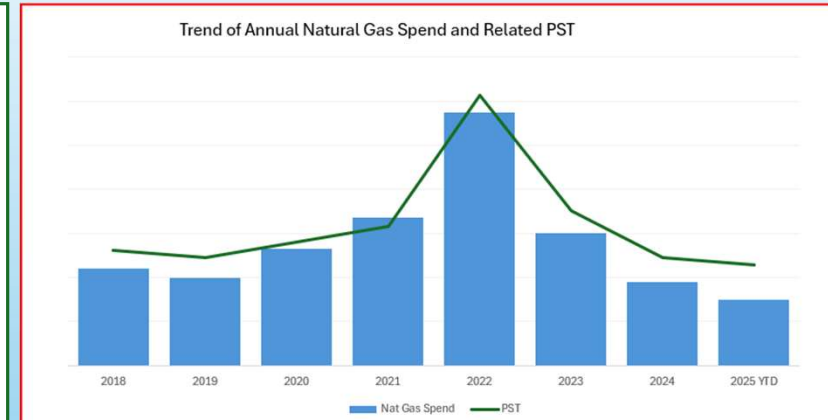
(Source –Koch Fertilizer Canada)



- If the Koch Fertilizer plant was located in either Sask or Alberta the impact of the Carbon Tax would be significantly reduced.
- Manitoba Hydro is not responsible for uncompetitive carbon taxation.
- Increased Power rates in combination with other uncompetitive practices put Manitoba businesses at an even greater disadvantage when compared to businesses in other Canadian provinces.

PST on Natural Gas

- Manitoba is only jurisdiction where PST is charged on fuel gas in Canada.
- Natural gas is the largest single feedstock for the production of fertilizer; and an energy source for combustion at the facility.
- Koch Fertilizer is the largest consumer of natural gas in MB.
- There are seven (7) other Canadian fertilizer manufacturers that are not required to pay a provincial sales tax on natural gas because they are not located in Manitoba.
- Similarly, global fertilizer imports do not pay a provincial sales tax for fuel or process gas.
- Although Manitoba Hydro is not responsible for collecting the provincial sales tax on Natural Gas. Its contemplation of increased power rates of 3.5% for the next 3 years will have a negative cumulative effect on Manitoba based industry.



Alternative Rates

- Continuous load customers are not able to capture lower costs by alternative rates as we have no flexibility in altering demand profile.
- Due to the nature of our power consumption, alternative rates focused on demand response would be unmanageable both from a process perspective and economically.
- Electrical demand for running equipment and managing the process must be constant and reliable.

Fair & Reasonable Rates

- Industrials & consumers should pay reasonable rates.
- Rates should always be based on fairly allocated costs.
- Industrials can't pay an extra 10% more than consumers. Decisions like these places Manitoba at risk of industry leakage.



Thank You.

- We support rates that are reasonable and ensure stability of supply.
- Koch Fertilizer Canada ULC has enjoyed a mutually beneficial relationship with Manitoba Hydro for more than 50 years.
- We will continue to look for opportunities to grow and expand our business in Manitoba where we can do so economically.

