

**THIRD QUARTER 2006 CONFERENCE CALL
THURSDAY, OCTOBER 18, 2006**

Set forth below is a transcript of NOVA Chemicals' conference call on Wednesday, October 18, 2006, related to our third quarter 2006 earnings. This transcript has been edited for the purpose of increasing clarity and readability. However, management does not believe any of these changes, individually or in the aggregate, represent a material change from the information presented during the conference call itself.

Chris Bezaire, Vice President of Investor Relations:

Good morning! Welcome to the conference call for NOVA Chemicals' third quarter 2006 results.

Today Jeff Lipton, our President and CEO, will take us through our business results and Larry MacDonald, our Chief Financial Officer will review our financial position. After these remarks we will open the phone lines to analysts and investors for a Questions and Answers session. Chris Pappas, our Chief Operating Officer, will be available to answer questions.

I'd like to advise you that this call is being recorded for replay through our conference call provider and is being broadcast live through an Internet web cast system. You will note that in addition to our Earnings Press Release, we've emailed analysts a set of panels and posted them in the Investor Relations section of our company website. Jeff, Larry and Chris may refer to these slides during their comments.

The comments and answers to your questions will contain forward-looking information. This information, by its nature, is subject to known and unknown risks, as well as uncertainties and other factors that could cause actual results to differ materially from those suggested today. Certain material facts and assumptions were applied in drawing the conclusions, and making the forecasts or projections, contained in these forward-looking statements.

Please refer to page 15 of our third quarter earnings release and page 29 of our 2005 annual report for more information.

Now I'll ask you to turn to Panel 1 as I turn the call over to Jeff.

Jeff Lipton, President and CEO:

Thanks Chris.

Let me start by saying, the numbers we reported for the third quarter contain some one-time charges that can and will be interpreted by analysts in a number of different ways. We won't argue with any of them because I believe the numbers tell two basic stories very clearly - and, both demonstrate very significant progress towards important objectives.

The first is the rapid cost reduction for our styrene, solid polystyrene and corporate overhead activities that has led to considerable improvement in our operating productivity and costs. We are ahead of all of our cost reduction targets and timelines in North America and Europe - and the impact is clear and measurable.

The second story is the strong performance of our core business and Performance Products despite lighter order volume in late August and September than we usually see. Our customers reacted in the same way they have over the last few years. They consumed inventory to hold off buying in the face of a sharp downturn in energy and feedstock costs that they believed was likely to result in lower polymer prices.

Our business strengthened considerably in the third quarter as measured by EBITDA. Olefins/Polyolefins (OPO) alone generated a record \$255 million in the third quarter versus \$206 million in the second quarter.

As we clearly laid out in our release, in the third quarter, we recorded \$79 million after-tax in restructuring charges. In addition, we had a one-time charge related to the wind up of the sEngery insurance mutual company. Our sEngery business interruption insurance has now been placed in conventional insurance markets so we've reduced the risk of unexpected surcharges from things like hurricanes. Larry MacDonald will elaborate on this.

We also took a mark-to-market charge on Corunna feedstocks related to the forward ratios of propane and butane prices to crude oil on the last day of the quarter.

The Corunna modernization project has allowed us to use more light feeds. The lighter mix and our hedges have significantly lowered our operating costs but because of the need to mark our forward hedge positions to the market on the last day of the quarter, we have seen swings in reported quarterly earnings. We reported an unrealized mark-to-market gain of \$8 million last quarter and a mark-to-market loss of \$11 million this quarter.

Larry MacDonald will also cover these details for you.

The headlines for our operations in the third quarter are:

1/ Strong and rapid cost reductions from our North American company-wide program that will take out costs at a \$52 million annual rate in the fourth quarter and will beat our \$65 million per year target by early next year.

2/ Within the STYRENIX division, our European Joint Venture reported positive EBITDA in September – more than covering NOVA Chemicals' corporate overhead charges. That's a big deal since we have reported an average of \$30 million per year of negative EBITDA in Europe – the weakest part of STYRENIX - for the past 5½ years.

We believe that the STYRENIX business unit looks a lot more attractive today than it has for a considerable time, and we will take an additional series of very significant improvement steps in the fourth quarter. As a result, we believe the prospects for a deal that will add value to NOVA Chemicals shareholders have improved.

3/ The OPO business generated net income of \$123 million in the third quarter, and generated EBITDA at over a \$1B/year rate – despite a global customer buying slowdown in September.

We were helped by a record EBITDA contribution from our Advanced SCLAIRTECH™ plant – almost double our best previous quarter, which was the second quarter.

We were also helped by a record Alberta Advantage – averaging 17cpp cash cost to make ethylene. We have averaged over 15cpp for the last six months and the strength continues into the fourth quarter.

I certainly don't want to imply that we are going to stay at this level but a number of analysts have questioned the reality of a sustainable competitive advantage in the past. Today the only question seems to be how much, for how long.

Now let me give you some more color on our current view of business conditions. Let's begin with polyethylene pricing.

There were two early price increase announcements in the quarter: 5cpp for July 1 and 7cpp for August 1. The first 5cpp increase was put in place in August.

The second increase was split with 5cpp to be put in place effective September 1 and 2cpp held in a TVA.

In the face of what I like to call a “dance” – between customers using inventory and some producers worrying about moving volume or selling off inventory they should never have built up in the first place – there has been a lot of price confusion.

So we issued a price statement on October 3 that said:

First, we were clearing the decks by rescinding the 2cpp TVA and the last 5cpp announced for September 1.

Second, we would not provide any retroactive price cuts back to September 1.

And third, we would reduce our octene & hexene product prices by 2cpp on October 1, and our other grades by 3cpp.

Some analysts expect prices in October will soon get back to a level similar to the level we saw in July, prior to the 5 cent per pound increase in August. Remember that actual transaction prices vary by product grade and market segment – and we and others, I’m sure, will be trying to hold the line at our October 3rd announcement levels.

In China, very high prices for ethylene and a lack of polyethylene supply and inventory led to 62cpp polyethylene price highs in September. In October, converters have slowed buying in an effort to push down prices.

Our overall order volumes in third quarter were down 4% from a very strong second quarter. The American Plastic Council reports that volumes for the industry were down 8% quarter-to-quarter.

If you turn to Panel 2, you can see that the American Plastic Council (APC) also reports that polyethylene operating rates were strong in the third quarter– averaging 92%.

According to the APC, inventory in producers’ hands – shown in Panel 3 – increased from 36 days at the end of July to 47 days at the end of September. A big factor in this step-up is a 13% reduction in producer sales from August to September so the actual inventory build-up was a lot less dramatic.

While we are not particularly excited about our own sales in August or September as opposed to industry wide data, our sales actually increased month over month – helped by Advanced SCLAIRTECH products. We finished the quarter with 20 days of polyethylene inventory continuing to demonstrate significantly better management of our business systems and cash than our average competitor.

In Panel 4, you can see a set of data from the American Chemistry Council (ACC) economists – which is their view of polyethylene chain inventories – which they define to be polyethylene producer inventory plus all polyethylene inventory downstream from producers right through to end-users like you and me who take products off of retail shelves.

American Chemistry Council reports that – despite the recent build in polyethylene producer inventories – total polyethylene chain inventories, including producers, are low – about 1.4 billion pounds below the average level for the past three years. By the way, Chemical Market Associates, Inc. (CMAI) does very similar work using different techniques – and they came to the same place.

And, most interesting, the ACC model indicates that polyethylene chain inventories have declined – and, if you look closely, continued to decline in the month of September.

How can that be? Let’s look at some more data.

We track the rate at which our customers consume polyethylene resin by looking at the rate at which they return empty hopper cars to us. Panel 5 shows that the rate of consumption during the third quarter 2006 – that’s the green line – was not really any different than it was during the same period in 2005 and 2004. If you remember, both previous third quarter periods were quite strong and this data suggests that the third quarter of 2006, from a material consumption perspective, is not much different.

If we look more closely at NOVA Chemicals’ customer data, they actually increased their resin consumption in September and the rate of use increased as the month went on.

So this is what happened for NOVA Chemicals, let’s look at the industry. In Panel 6, you can see the sharp decline in monthly converter resin purchases. While this may suggest a weak market to some, it doesn’t tell the whole story. The real story has more to do with the underlying demand for polyethylene.

Let’s go back to the ACC polyethylene chain model. ACC determines underlying polyethylene demand by correlating total polyethylene consumed by application within different industries to the most appropriate economic indicator for each. When new monthly economic indicators are reported, ACC updates the model. Yesterday, for instance, ACC was able to update their model when U.S. Industrial Production data for September became available.

If you look at Panel 7, we’ve overlaid ACC’s underlying polyethylene demand onto the previous panel. As you can see, while customers have sharply slowed down their buying – end polyethylene demand, according to ACC is healthy and continues to trend upward. It’s clear from this data that polyethylene converters are buying far less than they are consuming. That is exactly what we saw about NOVA Chemicals’ own customers’ consumption in Panel 4. These two independent pieces of data say the same thing – the end demand for polyethylene remains strong.

What’s the result? Just look at Panel 8 to see how sharply inventory levels downstream from producers have fallen. Not what you would have expected – if you’d only looked at polyethylene producer sales.

It is easy to overlook this picture when we have customers sharply slowing their buying in the face of lower feedstock costs but our view of the fundamentals remains very positive.

For me, the basic issue is: How long can customers hold off their purchases, and continue to consume inventory, before the risks associated with stocking-out exceed the reward associated with not over-paying for resin?

Not long, in my opinion, if underlying demand remains strong like it is today. The risk-reward balance will shift either when inventories get too low, or the prospect for lower polyethylene prices is diminished.

While it might be difficult to say precisely when, the timing will likely have a lot to do with energy price changes and feedstock cost movement.

Let’s look at feedstock cost movement – since that is what we believe drove the slowdown in price increases and customer orders.

I will focus on the two-thirds of North American ethylene made from light crackers in the next two charts. I won’t review heavy cracker equivalents but we have also included that information on panels in an appendix.

Panel 9 shows how the CMAI estimate of the cash cost of ethylene made from U.S. Gulf Coast (USGC) ethane feedstock tracked the price of Henry Hub natural gas each week in the third quarter. Ethylene cash costs are down – by about 11cpp – from a high in the first week of August to the first week of October. Over the same period, polyethylene producers lost 5cpp of polyethylene pricing – so the margin for polyethylene made using ethane-based ethylene improved by 6cpp.

If you look at the same data for USGC naphtha-based ethylene producers, the margin expansion appears even greater – about 10cpp – because the price of crude oil fell more sharply than ethane - of course, this assumes important cracker co-product spreads moved in relation to crude prices – and did not raise net ethylene costs.

Panel 10 shows the resulting second quarter, third quarter and projected fourth quarter chain margin for light feedstock, according to CMAI.

The red line at the top of the chart shows the price of polyethylene, and the blue line at the bottom represents the total cash cost to produce ethylene and polyethylene. The bars represent the difference between these two lines – which is chain margin. The blue bar is the ethylene margin and the red bar is polyethylene margin.

While we might disagree with the absolute values used by CMAI – the point here is that – CMAI calculates that chain margins improved by 2cpp from the second quarter to the third quarter. Of course, this is for USGC producers. Margins at our Joffre site were further impacted by the 3cpp improvement in the Alberta Advantage second quarter to third quarter. It is worth noting that CMAI believes, as we do, that margins will remain strong in the fourth quarter.

Now, let's look at the fundamentals behind our ethylene cost advantage. If you look at Panel 11, you can see the Oil-to-Gas Ratio for both NYMEX and AECO on a contract price basis. Both ratios are well above the Energy Parity Value of 6 and indicate that all North American light feed crackers should be advantaged for exports against heavy crackers in most parts of the world.

If you look at Panel 12, you see much higher Oil-to-Gas ratios based on the cash or spot prices. The ratio in Alberta for cash prices is 15-to-1 versus 11-to-1 on a contract basis. You can see why NOVA Chemicals purchases its natural gas on a cash basis and why we feel very comfortable with our competitive position in the global market place.

You can see natural gas market price differences in Panel 13. After widening as a result of USGC gas shortages in the second half of 2005, the differential returned to more normal levels in 2006. But that differential has not been the key to our Alberta Advantage.

The key is the relationship between USGC ethane and natural gas prices. Panel 14 highlights how this ratio climbed after the first quarter of 2006 to levels much higher than the historical norm of 127%. We believe this is the result of the combination of relatively high oil prices and high USGC ethylene operating rates. The average ethane-to-gas ratio in the third quarter was about 190%.

So far in October, the ratio has averaged more than 200%.

As a result, as you can see in Panel 15 the Alberta Advantage increased to 17cpp in the third quarter from 14cpp in second quarter. So far in the fourth quarter, the picture hasn't changed much. The October month-to-date Alberta Advantage has averaged about 15cpp.

Panel 16 shows the current Alberta Advantage in the context of the last 15-16 years. While we've not had this magnitude of Advantage before, you can see that we have enjoyed prolonged periods at levels much higher than the 6cpp historical average.

As I said we've averaged that 15cpp for the last six months – and now 8cpp for 2004, 2005 and three quarters of 2006.

Now, let's cover the second major improvement in our polyethylene business – Advanced SCLAIRTECH (AST) Performance Products:

In this past quarter we resolved a serious quality problem that had been restricting our ability to transition from Standard Products to Performance Products in the AST plant. These types of issues are typical with new process development – but it was very important to get that issue behind us.

In the first part of the quarter, we were able to take advantage of extremely tight conditions in some specific market segments. The products which best suited these markets are Standard Products that run at very high rates on our reactor – in fact considerably faster than some of our Performance Products.

This is meaningful because our PE2 reactor ran at such high rates for part of the quarter that – for the quarter as a whole – we were able to sell at a rate exceeding its 850 million pound per year nameplate capacity.

Because we manage our business on real time margin per reactor hour – and our production process is very flexible – we were able to shift our emphasis quickly to maximize EBITDA.

We believe this performance helps demonstrate some of our unique competencies. We have a real time information system and business managers that focus on daily margin contribution, and a highly flexible solution technology production process that – with the AST transition quality problem resolved – allows very low cost shifts among a wide range of products as well as a unique, highly valuable product portfolio. Analysts cannot model that kind of capability, so it's reasonable that we can surprise them once in a while.

Now let's shift gears and look at what we will now call Performance Styrenics as we go forward.

Our net loss in the Performance Styrenics business segment was \$5M in the third quarter, essentially the same as the net loss of \$4M last quarter.

The largest factor was softer demand for expandable polystyrene in North America particularly in produce packaging like grape boxes.

In the quarter, we successfully started to use the new ARCEL[®] finishing plant in Ningbo, China with our partner Loyal Chemicals. We are pleased that the Chinese facility is now able to produce excellent quality ARCEL resin for the molders servicing China's electronics manufacturing industry. This is an important step towards 100 million pounds of ARCEL capacity which we will put fully in place as we step up our market penetration.

I must say, we have suffered some production and inventory uncertainty as we rapidly added base ARCEL[®] capacity in the US and finishing capacity in China this year. As a result, we held off aggressive marketing for a couple of quarters and will be below our ARCEL[®] targets for 2006. However, we fully expect to be within our target range for 2007 and 2008 – not only for ARCEL[®], but for all of our Styrenic Performance Products and New Business Developments.

STYRENIX

In the non-core business unit, STYRENIX, we reported a net loss of \$35M in the third quarter, a \$10 million improvement from the second quarter.

The gain came largely from Europe. This demonstrates the meaningful improvement we've been able to put in place by streamlining operations and reducing costs.

We've stopped the bleeding in Europe less than one year into our joint venture (JV) operation. We've now had four months in a row of positive operating cash flow in Europe. In fact, in September we had positive EBITDA after all corporate charges.

Panel 17 shows the targets we set in three areas to improve our operations and reduce company cost by \$125 million by the end of 2007 – about \$90 million of that in the STYRENIX unit.

The first of these three elements involves our 50:50 joint-venture with INEOS in Europe. When we originally set this up with Innovene, we set a cost reduction target of \$40M per year within three years. When INEOS bought the BP business, we increased the target to \$60M per year in two years – or the end of 2007.

We are extremely pleased with the progress so far. Today, the JV has about twice the scale of business with a non-manufacturing headcount of 150 people compared to the 160 that NOVA Chemicals alone had in European Styrenics prior to the JV.

As of the end of the third quarter 2006, the JV has delivered annualized savings of \$35 million. They now expect to exceed the full \$60 million target for business improvement by the end the fourth quarter – and to increase it to \$80 million per year by the end of 2007 – half of which will go to NOVA Chemicals.

We are extremely pleased with the result of our JV in Europe and believe it is a good indication of the potentially powerful cost reduction that consolidation in North America could make in this business in a very short period of time.

The second element of our plan was announced on June 26 when we formed STYRENIX and outlined aggressive action to reduce company costs in North America by at least \$65 million per year.

Including the closure of the Chesapeake, Virginia site, we announced the elimination of 375 roles in North America by year-end. The first wave of reductions took place at the end of August and a second larger wave took place at the end of September. The restructuring will be done by year-end.

We achieved savings in North America of \$52 million as of the end of the third quarter and expect to have the full \$65 million in hand to start 2007, including slightly lower STYRENIX depreciation charges.

Now, I'll let Larry talk about the charges that we took this quarter, and then I'll come back to talk about a bit more about our plans for STYRENIX and our view of the longer term environment for our core businesses.

Larry McDonald, Chief Financial Officer

Thanks, Jeff.

In the third quarter we generated \$76 million of funds from operations. We invested \$65 million in working capital and \$47 million in capex during the quarter. These and our other uses of cash resulted in increased use of our revolving credit facility by \$59 million at the end of the quarter. Our cash balances of \$110 million and available borrowing capacity of \$363 million on our committed facilities give us \$473 million of liquidity at September 30.

I would now like to refer you to the casual analysis on Panel 18. This slide shows significant margin improvement this quarter compared to last quarter. Quarter over quarter, margin expanded by about \$40 million in Olefins/Polyolefins and \$9 million in STYRENIX.

In the third quarter, earnings were \$6 million better due to FIFO based accounting versus a \$20 million benefit in the second quarter resulting in a second quarter to third quarter delta of negative \$14 million.

Assuming oil and natural gas prices remain at current levels through year-end, NOVA Chemicals will report lower fourth quarter earnings than we would if we were using LIFO accounting.

The special charges in the third quarter reduced net income versus second quarter by a total of \$111 million. Also, if you remember we had a \$60 million benefit in the second quarter related to an adjustment to our future income taxes due to the reduction in Canadian income tax rates.

Consequently, while we reported a \$25 million loss for the quarter, there was an improvement of \$49 million in net income directly related to improved business performance.

Unrealized mark-to-market losses on our feedstock derivatives totaled \$11 million after-tax on September 30. This compares to an \$8 million gain at the end of the second quarter. As accounting rules do not allow us to account for these derivatives as hedges, our net income has been subject to some volatility. As of October 16, for instance, the mark-to-market value of these positions was zero – so we picked up the \$11M charge in 16 days.

The mark-to-market value of our positions that do not mature for some time in the future will fluctuate. However our experience has been that when we lock in the relative price of propane and butane compared to crude oil at historically low levels, when the positions mature we are generally in the money.

We have locked in the price on a portion of our propane feedstock requirements for the Corunna flexi-cracker at 62.5% of the cost of crude oil. As you can see in Panel 19, this is an extremely attractive ratio compared to the historical average.

Similarly for butane, you can see in Panel 20 that our contracted position of 72.5% of crude is extremely favorable compared to historical averages. The mark-to-market requirement is a non-cash accounting procedure.

We added to the forward positions for both propane and butane in late third quarter and in October.

Panel 21 shows the cumulative realized gains on propane and butane this year. We have realized a cash gain each month this year on our maturing contracts. We are confident – if the future looks anything like the past – our propane and butane market positions will continue to help lower the cost of our feedstock. The future's market is a valuable economic tool which helps us explicit the full potential of the Corunna crackers feedstock flexibility capability.

Restructuring charges were \$79 million after tax in the third quarter. At September 30, we took a one-time charge of \$33 million after tax related to \$50 million of the \$65 million cost reduction target. We already took a \$10 million after tax charge in Q1 related to the \$15 million targeted savings associated with the Chesapeake, VA site closure.

In July, the NOVA-Innovene JV announced the permanent closure of the Carrington, UK polystyrene site. On September 30, NOVA Chemicals took a non-cash write down of \$38 million and a cash charge of \$8 million for a total charge of \$46 million.

The targeted savings, actual savings and the related charges are summarized in Panel 22, which can also be found on page 3 of our Earnings Release. Leadership across the organization have pursued the reductions in a coordinated fashion and results are meeting or exceeding very aggressive timelines.

Finally, NOVA Chemicals has been a member of the sEngery Insurance mutual, which wrote business interruption insurance since its inception five years ago. Significant hurricane-related and other losses spread over a small shareholder base crippled the company. Shareholders voted to close the mutual and NOVA Chemicals has accrued in the third quarter an additional \$13 million after tax to cover our share of the claims expected to be paid to the other sEngery members. These charges are totally unrelated to NOVA Chemicals' current business operations. The sEngery portion of our business interruption insurance has been placed in conventional markets.

Jeff Lipton

Thanks Larry.

As I see it, the headlines in our operating performance are more than just a nice set of results for the third quarter – the short-term story has very positive implications for longer term shareholder value enhancement.

We have delivered cost reductions higher and faster than our targets – demonstrating what can be done with aggressive Styrenics industry consolidation and that our STYRENIX business can logically be seen as a positive vehicle for further improvement in a very weak segment of our industry.

The positive cash flow story for our European joint-venture is a powerful indicator of the leverage potential from consolidation.

We will continue to aggressively take out costs and expect to exceed our corporate targets and deliver \$139M of lower cost to start 2008. We expect to improve by about 94 cents per share starting in 2007 and about \$1.09 cents per share starting in 2008.

The Olefins and Polyolefins business showed what we will be able to deliver for shareholders after we find a solution for STYRENIX. We generated annualized EBITDA of more than \$1 billion and had a big step up of contribution from Advanced SCLAIRTECH polyethylene showing the value of an industry-best Information Technology, a flexible process and plant – and a range of unique, high value products.

The Alberta Advantage was spectacular – again. Hopefully, permanently setting aside questions about whether or not it's going to be there for the long term.

We also expect converters all over the world to continue to consume polyethylene at very strong rates.

With relatively weak September order levels, it's pretty likely that most producers – other than NOVA Chemicals – have built excess inventory. Given our hopper car data, it seems likely that converters consumed some of theirs in North America.

We believe, by the way, that chain inventories in Europe remain low after a difficult manufacturing summer for European and Mid-Eastern resin producers.

We also believe that Chinese converters and importers have very lean inventories although their suppliers seem to have built inventory in September like their North America counterparts did.

Panel 23 is our best attempt at quantifying inventories at the major Chinese ports. As you can see, the trend is down despite a bump in August. To me the real question for investors and analysts about our markets is not pricing – it's margins.

We have lost price in September and October but margins look to be up for integrated polyethylene producers.

As we move through the fourth quarter, the key to margins and volume will be our customers' expectations for energy prices. If they see a downward trend – they will purchase only what they must and will consume inventory as long as they dare to. If they see stable or rising energy prices, they will buy more.

All we are talking about though is short term order pattern volatility. The global economic story, our inventory and consumption data and the general set of expectations for the North American economy all point to strong growth in polyethylene consumption.

And, little by little, most industry consultants and more and more analysts are moving towards our view that 2007 and 2008 will be very good years for integrated polyethylene producers.

The next figure, Panel 24, shows the updated Chem Systems/NOVA Chemicals operating rate chart for North American polyethylene.

CMAI has just offered up its view of the ethylene/polyethylene chain, and they too see strength through 2008. They do see sizeable supply coming – almost all at once in 2009. Our view is that scenario is much less likely than a gradual capacity phase-in during 2009 – one that is essentially in line with global consumption growth.

For NOVA Chemicals specifically, we remain very positive about our ability to deliver strong earnings growth from our core businesses and very strong cash flow in the near future, as well as the long term.

Some U.S. analysts may have missed the story – but the Alberta Government has announced that it intends to provide incentives that will allow petrochemical companies to expand ethane extraction facilities in the province, while maintaining current globally competitive costs – i.e. the Alberta Advantage.

When the regulations are finalized, we intend to take full advantage of them. It's our plan, as we have announced, to expand the capacity of our AST plant to 1 billion pounds per year by 2008 with only modest new capital.

We believe we have also found a high-return way to expand our gas phase polyethylene plant – again with modest new capital – over the next few years.

We will also speed up project work that will allow considerably more ethane extraction in the province which in turn would be the starting point for considering new plants – polyethylene first, and eventually a new ethylene cracker.

Even with the exciting news from the Alberta government – our capital plans for the near future are very modest. We continue to believe our shares at today's values are the best investment we can make in the short term so we are anxious to build up enough cash and liquidity to step into the market.

Toward that end – we expect our total capital expenditures in 2006 will be about \$210 million versus our original \$240-\$250 million plan – and the preliminary outlook for 2007 is that we will be well below our depreciation charge of about \$320 million at somewhere between \$200 and \$250 million.

A few words on the M & A work with STYRENIX. We have just been through a review of the first series of proposals and – as you might guess – we are faced with a range of ideas and values.

We will be responding to all of the proposals and will perhaps try to group them in ways that will first allow us to compare similar ideas so we can narrow down the field and then compare all of the remaining options.

We were pleasantly surprised with the initial expression of interest. We expect we have a very good chance to wind up the process with value enhancing alternatives. We believe our work on rapid and significant cost reduction will speak loudly to potential parties to a transaction.

To summarize again, I believe the third quarter numbers highlight the ability of the Olefins/Polyolefins business to deliver superior results.

It's also clear that the most well known industry consultants believe, as do we, that the market fundamentals will remain favorable for the foreseeable future – with of course, inventory related bumps in the road along the way.

Our demonstrated ability to quickly reduce costs in STYRENIX improves the prospects for finding the pathway to a deal that will unlock the full value of our core businesses for our shareholders.

Thank you.

And now operator, we are ready to take any questions.

Operator: We will now take questions from the telephone lines. If you have any questions, please press *1 on your telephone keypad. If you are using a speaker phone, please lift the handset and then press *1. If at anytime you wish to cancel your question, please press the # sign. Please press *1 at this time, if you have a question. There will be a brief pause for the participants to register for their questions. Thanks for your patients.

Our first question is from Kevin McCarthy of Bank of America. Please go ahead.

Kevin McCarthy, of Bank of America

Question regarding the Alberta Government action that you referenced. How much could the availability of ethane to NOVA increase, and what would be the expected timing of that step function? Thanks.

Jeff Lipton, President and CEO

Well, we are in the midst of a relatively complex dialogue with pipeline companies and extraction companies and the government which could lead to a next big step for ethane extraction. If the government goes through with its stated intent, we would more than likely, given a reasonable balance of interest, step forward with a large extraction plant. The full capacity has not been announced, but the idea would be to keep a significant amount of ethane in the Province, that's now leaving the Province.

Kevin McCarthy, of Bank of America

Is that something that you would consider on a 100% owned basis Jeff, or would it necessitate capital expenditures such that you would prefer a joint venture partner for that kind of project?

Jeff Lipton, President and CEO

Well, the way the current discussions are going, we would put up no cash. The other companies involved would build a facility on a cost-recovery and fixed return basis, and we would sign a long-term contract with them, giving them a bankable deal. So it would not include capital expenditures from NOVA.

Kevin McCarthy, of Bank of America

Okay, great. Could you remind us of your ARCEL targets, I heard you say you may fall short a bit in '06, but you still expect to meet the '07 and '08 targets, and also can you comment on the recent price trends for ARCEL, has the pricing changed meaningfully in recent quarters.

Jeff Lipton, President and CEO

Sure, I'm going to ask Chris Pappas to respond to that question if you don't mind Kevin. Chris

Chris Pappas, Chief Operating Officer

Kevin, first of all on the price question. There's been no changes in the value-in-use for ARCEL, we're still seeing the product priced at an attractive level, and frankly the fit-for-market, value in use and interest in trials for the product remains very strong.

What has happened is, you recall that we're growing our capacity in large increments, relative to current sales. In fact, we're going to be tripling our capacity versus the current sales rate, over about a 12 month period. In the midst of that, we had a large development effort with one single player, and that effort was only partially successful in terms of commercializing ARCEL. But because we were focused on that one large player, we slowed down development elsewhere to avoid over running out current capacity to supply the market. We've had to reinvigorate our development efforts in the face of that single large customer not taking all the ARCEL they were planning on taking, and we've done that both in Asia and North America. We've done that with extra resources on the ground, broader marketing efforts etc... So

we think we'll be able to maintain the ramp rate, that we had originally forecasted for '07 and '08, but we've lost some time during '06, as we had that dependency on that one large customer. So that's basically what's happened in the ARCEL business development curve.

Operator: Thank you. The following question is from P.J. Juvekar of Citigroup. Please go ahead.

P.J. Juvekar, Citigroup

Congratulations on your cost cutting in STYRENIX. I have a question on polyethylene, you know the international, portion of total, was it 10%?

Jeff Lipton, President and CEO

Yes.

P.J. Juvekar, Citigroup

You know, a couple of years ago that used to be 15%, and I think you used to say that you are going to target 20%, but that has gone the other way, so maybe you can explain what's happening there?

Jeff Lipton, President and CEO

Sure, it's pretty clear. We go where the margins are best. When we saw opportunities in the North American market, with higher margins, we have the flexibility of slowing down our export volumes. In the fourth quarter you might see the reverse. I would expect that we're going to find opportunities around the world with higher margin opportunities, early in the period as U.S. convertors try to beat back prices. You might see some significant movement upward in our exports in the fourth quarter. It's not just the capability, the design really is to go where we can maximize EBITDA, and the flexibility in our production process allows that to happen.

P.J. Juvekar, Citigroup

Right, but generally, if you take a step back and look at a couple of years ago compared to today, is it fair to say that you are exporting with China less, because the Chinese are building their own plants and started up flexicrackers in the last 2 years?

Jeff Lipton, President and CEO

No, I don't think that would be an accurate statement. I think the opportunities for importers in China have probably grown over the last few years. What's changed, is our ability to penetrate U.S. markets, and to do that with our Advanced SCLAIRTECH(AST) products, and to focus on high value applications that require significant development work. So I think the opportunities in China remain. We haven't seen any squeeze in terms of opportunities for imported product, but we've seen a lot more opportunity in the U.S. and potentially in Europe for our AST products than we had expected frankly. We feel really good about it. We're not bashful at all about moving to China, when we think the margins there are better than we can get in the US market.

P.J. Juvekar, Citigroup

Okay, then secondly I have a question on your panel 23. You talk about Chinese port inventory. I was just wondering if you could go into the detail of the chart and explain. Is this all that is being imported in China or exported out of China in finished goods or how do you read this chart?

Jeff Lipton, President and CEO

Okay, so there are some free trade zones in China, and the ports we've shown are the largest of those. What has to happen is, cargo waits to clear Chinese customs, and then after it clears customs it then goes into bonded warehouses within those free trade zones. What we do is, we try to investigate how much material, how much cargo is sitting waiting to clear customs or in those warehouses. Our people on the ground report back on a weekly basis, and we track the inventories waiting there. The way we go out and talk to converters as well, to try to get a feel for where Chinese inventory is. Our feeling, not quantified, but our strong feeling is that inventories in China are quite low, and our people don't believe that the Chinese market can actually wait as long as the North America market, to resume strong buying, particularly as we're facing the season for making the polyethylene covers for their growing fields, their agricultural film use. So, that's why I say our exports might go up, we think the Chinese market might strengthen faster than the North American market, based on our view of inventories.

P.J. Juvekar, Citigroup

But, just one last question. Did you say that converters in China have pulled back, but they don't have as much inventory, so they may come back to the market faster?

Jeff Lipton, President and CEO

That's correct.

P.J. Juvekar, Citigroup

Okay. Thank you.

Jeff Lipton, President and CEO

That's our view, and I don't have the same kind of data for China obviously as we have for North America. I think they use their October holiday to try to do the same thing they often do with their holidays. So, we're actually more optimistic about China recovering rapidly, then we are North America in the very short-term.

P.J. Juvekar, Citigroup

Okay, thank you.

Operator: The following question is from David Silver, of JP Morgan. Please go ahead.

David Silver, JP Morgan

Hi, I guess I would like to pick up on your very last comment, with a question on the shorter-term dynamics on the polyethylene market. In that, you did cite that we're probably entering a seasonally slower demand period in the fourth quarter, customers have shown a tendency to maybe liquidate some of the inventories that you cited that they built, you know, during the hurricane season or what not. Also you did cite a certain amount of, I don't want to call it deal cutting, but maybe some revisions to announced price increased and some confusion, which I tend to view works in the favor of customers.

Jeff Lipton, President and CEO

I absolutely agree with you.

David Silver, JP Morgan

Yeah, so I was wondering if you could talk about with the lower price being offered for producers out for October, I mean how do you see that situation clarifying itself? Or settling out over the fourth quarter, or could you see a lot of that very healthy CMAI chain margin come out of the market here?

Jeff Lipton, President and CEO

Well, producers have in general followed our lead and another company's lead, with regard to kind of clearing the decks with an announcement.

We announced and another company announced as well, in an effort to clarify the situation. That situation would leave a few cents, \$0.02-3 of the \$0.05 still in place, and we'll see whether people have a go at taking that away. To me, the real issue is two-fold: do producers learn that they might have built up some inventory, but there are low inventories downstream, and will they be disciplined about the way they market their products? That's up to them. We certainly, with 20 days of inventory, can be very disciplined about what we do.

Then there is a question about which way energy moves, and how rapidly. I think that's really the key to what will happen in the fourth quarter. If energy seems to be firming, and firming rapidly because of weather or other issues, then I think you'll see the polyethylene converters back into the market more rapidly. If energy prices are modest, and energy use is modest, then they might expect prices perhaps not to fall in the last parts of this quarter, but early next quarter as the weather warms up. So I think we'll see a bit of uncertainty, and the issue becomes, how long will inventories last and this risk/reward balance. If you recall, last spring we had inventories that were relatively low, they were coming down sharply, then all of the sudden in May and June the dam burst, and everybody jumped back into the market as quickly as possible, and producers got price increases in May and June. We had a very strong period of buying, because inventories were so low, and converters could not wait any longer.

So, I think the issue is how long do inventories last, what happens with energy prices. I think the fundamentals though for continued consumption of polyethylene around the world are very good. With export opportunities in the North American market, what we see is warehouses for packaged goods for export on the Gulf Coast are working heavy. In other words, we see a lot of US producers, given the economics on feedstock, able to export, and I expect you'll see an increase of exports from all North America producers in the fourth quarter, and that will help smooth things out as we go through the quarter as well. I would look for more export from us and more export from other producers, and inventories coming out relatively quickly at the producer level, and then I think we'll be in good shape.

David Silver, JP Morgan

Okay, if I could ask you about a separate topic. During the quarter, I guess your friends in Joffre, DOW Chemical, did file a lawsuit against you guys. I guess regarding the allocation of ethane supply at the Joffre Complex. I was wondering if you could just maybe give us your view of the merits of the suit and how it may play out, and if it will effect operations or your availability of ethane?

Jeff Lipton, President and CEO

Well David, as you know, we responded to that lawsuit and filed counter-claims. Our claims total about \$300 million. So, the fuss is really about how limited supplies of ethane get shared. My view is that the lawsuits will get to the bottom of the issue. We think we're right and clear, and DOW thinks they are right and clear. Both of us believe the others have claims that don't amount to a hill of beans. So, we'll see what happens. The Alberta Government announcement and the availability of increased supply of ethane will make all of the questions going forward, about how ethane is allocated to existing facilities moot. We have very strong outside legal opinions about our position. We've taken no reserve against that lawsuit, because we believe that it's entirely without merit, and we're happy to go forward and see what happens.

David Silver, JP Morgan

Okay, if I could just ask one more question about the Alberta Advantage. I've gone through the formulas with Chris Bezaire a couple of times this quarter, and I agree with your comments, it is a spectacular advantage right now. Longer-term I think it has important implications for your normalized earnings from your Alberta operations.

Jeff Lipton, President and CEO

That's my basic point David.

David Silver, JP Morgan

So, there is one aspect to the calculation and that's related to that unusually high relationship between Gulf Coast ethane and Gulf Coast natural gas, which I don't know, it's pretty much at unprecedented levels. Have you folks examined that and come to any conclusions why that relationship has reached record levels and the sustainability of that? Thanks a lot.

Jeff Lipton, President and CEO

David, if we could get to a position where we had a very clear explanation in understanding, we'd provide it to you. Our view basically is, a very high oil price relative to gas, these ratios of 11-15, particularly on a cash basis, motivate people with high net-backs on co-products, motivate people to go lighter in their feeds. Remember Larry talked about us using more light feeds, I think that happens on the Gulf as well. Then high operating rates, which I think we are going to see on the Gulf Coast, create a demand for ethane that cannot be replaced. Two-thirds of the North American capacity for the manufacture of ethylene is based on light feeds, and it is going to stay that way. There is not a lot of flexibility, so they've got to be in the ethylene market, and I think that's the combination. High oil prices and high demand for ethane.

David Silver, JP Morgan

Okay, thanks very much.

Operator: Thank you. The next question is from Frank Mitsch from BB&T Capital Markets. Please go ahead.

Frank Mitsch, BB&T Capital Markets

Just revisiting the Olefins/Polyolefins performance in the third quarter, it looked like you had higher margins, a little bit lower volumes and record EBITDA and certainly positive numbers to the bottom line coming out of that business. As you look at the fourth quarter, the data you are presenting suggests higher margins, volumes a little bit on the weaker side, but potentially as the buyers strike ends with the weather getting colder, around the time the Mets win the World Series, you could see the volumes come back. Regardless, it looks like we may see deja vu all over again, in terms of higher margins lower volumes, but solid operating results. What's the problem with that thinking?

Jeff Lipton, President and CEO

There's not a problem with that thinking. There is another element to it, and what are the export opportunities. Can we expand our company volumes for polyethylene with exports. If you remember PJ's question we had been running around 10%, I think in the fourth quarter, you'll see us do more than that as a percentage of our total sales. So, that's another element, and we're out hunting for opportunities for our standard grade gas phase polyethylene, but also we see opportunities for AST outside of North America.

Frank Mitsch, BB&T Capital Markets

Okay, great. On the STYRENIX side, obviously you are making very positive progress with your cost side of the ledger. Might that possibly change your opinion on selling that asset or JVing that asset, and hanging on to it and reaping all of the benefits of the turn around. Additionally, as you've had these discussions on the STYRENIX side with other parties, and you've talked about multiple opportunities to create value, has any discussion centered around, instead of just selling STYRENIX perhaps the entire NOVA Chemicals and you know what are your thoughts about that?

Jeff Lipton, President and CEO

Okay, well I'm not going to answer your last question... but maybe I will. We believe that our proven ability to take costs out of this business and do it very fast, is going to have very positive impact on the thinking of a number of people that are already in the process. It might have an impact on some people who are currently on the sidelines that say they may or may not get involved. So, I think the likelihood or the possibility of doing a value creating deal, has increased substantially. Now it does change the equation. We've shown the value of a good JV, and the partnership with INEOS has been extraordinarily good, we work well with them. We move very quickly. They move very quickly. To get to where we've been in just one year of operation in Europe, I think is extraordinary. I know there are a number of analysts that have written that a JV won't add a considerable value to NOVA, I disagree with that, I think a JV could add considerable value if structured the right way. For me, it raises the possibility of going both ways, selling or JVing, and I think both of those are more likely than us staying on our own, because I think this industry needs consolidation of some form or other. If we had a choice, we would rather get bigger, consolidate, take more assets out and do it with other parties. We're still interested in value-creating deals, I think they've become more likely. I think the least likely possibility is us standing pat, even though. Chris has done some work that shows if we didn't have any improvement in the market place, STYRENIX would be at the start of next year at pretty close to a cash flow break even or EBITDA break even for the entire business, with Europe being positive and then an ability to catch up pretty quickly. I think it just opens up the possibilities and increases the probability of us creating value in that business. Is that fair?

Frank Mitsch, BB&T Capital Markets

That's fair enough Jeff.

Jeff Lipton, President and CEO

Now the other thing I would say, and the question that I said that I wouldn't answer, I think it's also clear that solving the STYRENIX dilemma, changes the dynamic in the way people think about our company. That's probably enough said.

Operator: Thank you. The following question is from Don Carson, of Merrill Lynch. Please go ahead.

Don Carson, Merrill Lynch.

Yes, thank you. A couple of questions Jeff. One on your panel 7, where you made reference to the underlying rate of demand in North America. How does that factor in imports of fabricated products?

Jeff Lipton, President and CEO

Well, I don't know the details of all of the models put together by ACC, I really don't know all those specific details, but they are focused on a domestic market, when they look at inventories. Producers, members of the organization, and producers outside the organization. I don't know that they have a big component of finished products. Although, I would add, we haven't seen a big increase in finished product imports, and our customers have stopped worrying about that issue. Remember we were talking about \$0.62 per pound prices for polyethylene in China, those are real prices by the way, not just posted prices. That just takes them out of the equation when you are talking about shipping converted film or products like that to

North America, so our customers anecdotally are saying that they don't see a lot. (Note: ACC includes any impact of imported PE resin in the model.)

Don Carson, Merrill Lynch.

Now, the other question would be, you talked about an up-take in exports in the fourth quarter, by domestic producers. But, isn't that at a relatively low margin? How attractive is that business for a Gulf Coast producer?

Jeff Lipton, President and CEO

It might be at lower margin than standard product, but since we see a lot of activity in the export warehouses, that's why I'm pretty confident in saying that. We monitor the North American export opportunities as well, and we have a significant competitive advantage as an industry. Particularly if you look at the cash basis. So I think exports become more attractive, than what I will call the off grade or pencil prime market in North America. What the producers will be looking at is, do they export or do they go to the pencil prime market in North America, which is what's creates all the confusion. Our view is, that they are more likely in the fourth quarter to be looking at exports, than they have in the third quarter or before.

Don Carson, Merrill Lynch.

Final question on this Alberta Government initiative to keep more ethane in the Province. I though you had said in the past, that there is a relatively limited ability to.. That there was still some ethane going out the pipeline, but that it was relatively modest amounts. I'm just wondering what's new about this particular initiative by the Government?

Jeff Lipton, President and CEO

We're talking about a couple of things, we're talking about investment for deeper cuts in existing extraction plants. So they'll be supported we believe by the Government, although, they haven't issued final regs yet. We're talking about bringing back, what is a relatively large volume of ethane on one pipeline called the Alliance pipeline, which is designed to move hot gas, meaning gas containing ethane and propane down to Chicago, and extracting the ethane there. What we're talking about is an interest on the part of the Alberta Government, and DOW and NOVA to get more ethane to stay in the Province. I think you'll see an opportunity to make that happen. What the Province really want's to do, is see petrochemicals grow, and then hopefully build a downstream business from polyethylene and other ethylene derivatives in the Province, and we think we can help them do that.

Don Carson, Merrill Lynch.

What is the specific amount of ethane that is going out of that Alliance pipeline that you could recapture? What would that translate into, in terms of ability to produce extra ethylene in the Province.

Jeff Lipton, President and CEO

It's a public number, which I don't have at my finger tips, and I'm looking around the table to see if anybody here has it.

Larry MacDonald, Chief Financial Officer

The amount of ethane going down that pipeline ranges from 40-50 thousand barrels a day.

Jeff Lipton, President and CEO

So a significant amount.

Don Carson, Merrill Lynch

Right, thanks Jeff.

Operator: Thank you. The following question is from Fai Lee, of RBC Capital Markets. Please go ahead.

Fai Lee, RBC Capital Markets

Thanks. I just wanted to ask you about your analysis of how you're looking at JV versus the sale of the STYRENIX business? If the JV creates value, let's say over a longer period, but you're not going to get the share price reaction immediately versus if you sell and you get immediate share price reaction. How are you evaluating the 2 equations, if that's how it plays out?

Jeff Lipton, President and CEO

So, it's complicated Fai, I would tell you that we expect to have to do a lot of deep thinking about it as we go forward. We'll be presented with final numbers in the next round, on what people are willing to do in an outright acquisition. It might be for all of the assets, it might be for part of the assets. We believe also that the very serious JV discussions will also come to a head at about the same time. What we will do, is look at long-term net present value for both, but we will also think very carefully about what's best for our shareholders. What we try to do as a company, is look at the data, look at the numbers, look at the analysis, and then think about how our actions impact shareholders. That's the bottom line for us, it's not just the numbers in a discounted cash flow, it's how will our actions impact shareholder value. Hopefully, we'll make the right decision. I can't tell you the exact approach we're going to use, because a lot of it depends on timing and a lot of it depends on who potential acquirers or partners might be.

Fai Lee, RBC Capital Markets

Right, I guess a lot of analysts are assuming that if you do sell business, that you would get immediate share price reaction, positive, and whereas you mentioned maybe less reaction with a JV. Do you agree with that, is that basically what you are discussing with investors?

Jeff Lipton, President and CEO

Well, I think it all depends on how much we might sell something for, and what kind of a JV we're able to do, and how much synergistic capability there is in the first step of that JV. There might be a second or third step in a JV group as well. A lot of that depends on the dialogue we have between now and a decision point, which we hope will be sometime relatively soon. I think analysts have basically discounted the potential value of a JV too much. I think our cost reduction success in Europe and what we have already announced, will make people rethink about how much value there might be in a joint venture. It's complex, and all I can tell you, is at the end, we'll sit down and we'll see what's best for our shareholders, and that's the route we're going to take.

Fai Lee, RBC Capital Markets

Alright, thanks. The other question. I have a couple other questions. In terms of the slide panel 5 and 6, I'm just wondering if I'm interpreting this correctly. In panel 6 it looks like purchases by converters have declined quite significantly, but I don't see the similar type of decline on your customer consumption. Does that imply that you are grabbing market share from your competitors and if yes, how have you been doing that?

Jeff Lipton, President and CEO

Yes, so I think the facts are that our volume of sales went down a lot less than the industry did, and we did gain share. We think most of the share gain is related to our use of our AST plant in polyethylene,

and our ability to make products that fit the needs of market segments, that didn't have enough supply. But, that doesn't relate to these two charts. So the first panel, panel 5, is an attempt to show actual consumption, not orders from our customers. What we were trying to point out was, that their consumption in the month of September kept on ramping up. The consumption over the quarter, looked very similar to the consumption over '05 and '04 in the same quarter. That's what we were trying to do with panel 5. Panel 6, shows the ACC data, with regard to North American industry resin purchases by converter customers, which are down sharply in September. If you remember that number, I think it's down 13%, August to September, while our sales went up August to September. Panel 6 is orders and panel 5 is consumption. Different issues. It means that what's happening is, in our view, the converters are consuming inventory pretty rapidly.

Fai Lee, RBC Capital Markets

I guess it's more my interest in whether you've got market share, so the answer is yes. It seems, that based on what you are saying, it's seems to be sustainable going into the fourth quarter.

Jeff Lipton, President and CEO

Well, I hope so. I think the fundamental point I was trying to make is, that we have a lot of flexibility in our AST plants. So the solution process allows us to move from one product to another very rapidly, and now with our quality issue behind us, very inexpensively. We have a much larger product slate at that plant, than most people have at their polyethylene plants, and we have used it to focus on segments where there was margin and volume opportunity. That's why we picked up the business. I think, we're talking about a fundamental strength here, not just one time opportunistic sales.

Fai Lee, RBC Capital Markets

And, just the last question I have is, Performance Products EBITDA targets, in the past you provided I guess target ranges for the STYRENIX and the polyethylene ranges, it doesn't sound like 2007 and 2008 have changed, but it sounds like '06 has declined. Is that correct?

Jeff Lipton, President and CEO

Well I think it is fair to say that we will be short of our sales targets. I think we are right on track with AST, we've just had 2 record quarters on AST. I think when we publish our targets for '07, '08 they will be much the same as we published a year ago. We still are very, very bullish about our sales despite the 6-month lag. We're doing great with polyethylene. We're excited.

Jeff Lipton, President and CEO

Okay, we take. We've taken a long time, I know there aren't a lot of other people reporting today, we'll take just two more calls if we could.

Operator: Certainly. The following question is from Bill Young, of Credit Suisse. Please go ahead.

Bill Young, Credit Suisse

One thing, I don't really understand. On the one hand you said that as you make progress on your STYRENIX disposal or whatever, that will change the long-term dynamic for NOVA Chemicals. If you do a JV, why do you think there'll be maybe a ground swell of interest in the Company, where particularly a lot of people believe your golden asset is your ethylene group of assets, particularly in Joffre but Corunna too, and you might muddy up the water by having a JV in STYRENIX still on your books.

Jeff Lipton, President and CEO

Well, that's a good question. The last few words are the key. We believe it is possible to create structures that will first reduce the muddiness of the water and secondly, allow our shareholders to see through and not be impacted by any potential net income losses on the joint venture. I won't go into a lot of details, but I believe that the most value-adding joint venture will be one that changes the reporting of that venture's results as well as clears up the picture of our ethylene and polyethylene business and our Performance STYRENIX business. So there has to be a little bit of magic in it Bill, and I don't want to go through much detail, but I think there is a pathway.

Bill Young, Credit Suisse

Okay. Secondly, maybe my memory is failing, but didn't you change the numbers on the elimination of your unfavorable styrene monomer contracts? Wasn't it some thing like 12 and 18 and not it's 22-8 million dollars on annual savings, depending on which year.

Jeff Lipton, President and CEO

Here is the story. We had previously shown the \$30 million total impact, and just because we did not want to insult or hurt any of our suppliers, we said one contract is \$400 million the other is for \$600 million and one goes before the other. It turns out that the penalty for us, from the first contract is much greater than the penalty on the second one. We had used the volume ratio versus the total 30 without really delineating the impact of either one. Yes, we have changed the number. We will save a lot more, by getting out of the first contract than the second. It was a desire not to hurt our supplier. We just left it vague, we said here are the volumes and here is the \$30 million.

Bill Young, Credit Suisse

Okay, and last but not least. If I remember when China is out of the market on buying a lot of polyethylene, when they are doing restocking. It tends to be for months not weeks, I still don't understand exactly why you are so confident that we're going to get a pick up there say before Chinese Lunar New Year.

Jeff Lipton, President and CEO

Okay, so they started to cut back in September. They did not wait until October, and our view is, that their inventories, once you get beyond the warehouses, which are also on the low side, are very, very low. So they don't have a lot of ammunition. That's our belief. We could be wrong. We are not highly confident that we're going to be able to pinpoint this exactly, but our guess would be that they're going to come back to the market first for the agriculture season, because they need to make that film. There'll be a good market for it we believe. Spurred by the Chinese Government, which wants to see more agricultural production for domestic use, and it's our view that there will be more opportunity there in the short-term, than there will be in some other places.

Bill Young, Credit Suisse

Okay, great thanks.

Operator: Thank you. The following question is Greg Goodnight, of UBS. Please go ahead.

Jeff Lipton, President and CEO

Hi Greg.

Greg Goodnight, UBS

Benzene, would you comment on benzene pricing. I notice October was at a record of \$4.00 a gallon, this is despite the gasoline pool not providing a lot of support. Why is benzene running up, and what implications does that have for your fourth quarter volumes and margins in STYRENIX.

Jeff Lipton, President and CEO

Okay, let me turn that over to Chris Pappas.

Chris Pappas, Chief Operating Officer

Greg benzene spiked as you said to \$4.00, primarily driven, in our view at least, on some outages and very low inventories. Our forward look would still say from our vantage point that benzene has passed its basic peak, it's on the back side of the shoulder of the peak and it will be coming down as we go through the fourth quarter. The forward price curve, those forward committed prices are down substantially from \$4.00, more like in the range of \$3.45 and as low as \$3.00 in the back end of the quarter. Our expectation is that those are the kinds of numbers we'll actually see in the contract numbers with benzene as time goes on. We expect benzene on a contract basis to come off of the \$4.00, at least as we see things going forward. Now remember, for us, we will take in those immediate higher benzene costs as we go forward into the fourth quarter, as we move thorough our accounting procedures on a FIFO basis. We will see those current benzene costs flow through our business into the fourth quarter, but we will also see benzene coming down as we get into the November, December timeframe.

Greg Goodnight, UBS

Okay, thanks for that. A final question if I could. You talked about the ethane limitations, I would like you to focus on the immediate limitation. You know obviously there is an arbitrage set up now, between much cheaper Canadian ethane and US ethane that is providing incentives for suppliers up in Canada to ship ethane southward. Is this trend... Does it cause an immediate limitations for operating rates, for your Alberta facilities?

Jeff Lipton, President and CEO

I would tell you, that there isn't a lot of that that happens. The two markets are not really connected. There aren't transport capabilities to the Gulf Coast, and we have a series of very nicely written contracts with the people that run the extraction facilities, as to what they can and cannot do. So, the Cochin pipeline actually takes the ethane out, which is the major movement of material out of the Province, and that pipeline has limited capability. Ethane is actually the most difficult thing for them to think about moving, because of the BTUs per cubic foot. I think we're not likely to see, nor have we ever seen, ethane move out of the Province to the Gulf Coast.

Greg Goodnight, UBS

Okay, so this is not an operating strength for you in the immediate term?

Jeff Lipton, President and CEO

You mean a concern?

Greg Goodnight, UBS

A constraint, would it limit your ability to make ethylene in Alberta?

Jeff Lipton, President and CEO

No, not a constraint at all. We are looking at a reasonable quantity of ethane in the Province right now, and I expect we'll be in very solid shape through the winter months.

Greg Goodnight, UBS

Okay, thank you very much for that.

Jeff Lipton, President and CEO

Okay. Well thank you all very much for spending so much time with us today. We hope the dialogue and data has been helpful to you. We look forward to talking to you after another good quarter in the fourth. Thanks a lot.

Operator: Thank you gentlemen. The conference has now ended, please disconnect your line at this time. We thank you for your participation, and have a great day.