

**THIRD QUARTER 2007 CONFERENCE CALL - TRANSCRIPT
WEDNESDAY, OCTOBER 24, 2007**

Set forth below is a transcript of NOVA Chemicals' conference call on Wednesday, October 24, 2007, related to our second quarter 2007 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.

Chuck Magro, Vice President of Investor Relations

Good afternoon. Welcome to the conference call for NOVA Chemicals' third quarter 2007 results.

Today you will hear from Jeff Lipton, our President and Chief Executive Officer, Chris Pappas, our Chief Operating Officer, and Larry MacDonald, our Chief Financial Officer. After these remarks, we will open the phone lines to analysts and investors for a Q&A session. But first, a few comments about disclosure.

Be advised that this call is being recorded for replay through our conference call provider, and is being broadcast live through an Internet web cast system. The audio replay will be available in the Investor Relations section of our company website for the next 90 days.

A transcript of the recording will remain available at our company website after that period, as will all posted materials related to this Earnings Press Release, including a set of slides that will be referenced during our comments.

The comments and answers to your questions will contain forward-looking information. This information, by its nature, is subject to risks and uncertainties, as well as 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 18 of our Third Quarter Earnings release and page 29 of our 2006 Annual Report for more information.

Now I will turn the call over to Jeff.

Jeff Lipton, President and Chief Executive Officer

Thank you Chuck and good afternoon.

As I trust most of you know, Chris Bezaire has been rewarded, in great part for carrying me on his shoulders for the last three years. He will be leading our Advanced SCLAIRTECH™ polyethylene business and is charged with solidifying its position as one of a very small number of unique polyethylene technologies that deliver major volume and, most importantly, significant margin premiums.

We believe our Advanced SCLAIRTECH™ business has matured to the point where the value of our products is fully definable to our core customers, potential licensees and strategic partners.

Chris Bezaire's goal is to rapidly deliver sufficient EBITDA contribution growth and stability to make our Advanced SCLAIRTECH™ business even more meaningful to our shareholders.

Chuck Magro, his replacement, grew up in our manufacturing organization, ran the Advanced SCLAIRTECH™ plant at Joffre, led the group that has developed the engineering plans for the next Advanced SCLAIRTECH™ plant and has been the number two person in Advanced SCLAIRTECH™ marketing.

He is smart, honest, and knows a lot about our Olefins / Polyolefins business. He is learning a lot about the rest of our company and the financial world, but he won't learn fast enough unless the folks on this call and others press him, so please do not hesitate to do just that. He is, no doubt, learning a lot about markets today, but it is all part of his education.

Now to our business. As I hope you can read into our third quarter release, we are actually very pleased about the past quarter and the prospects for the fourth quarter, 2008 and, I have to add, the years beyond that.

The world of commodity chemicals continues to change and we believe a lot of the conventional wisdom about ethylene / polyethylene, styrenics, and NOVA Chemicals will shift as investors examine the data for the past quarter and eventually, our performance in the current quarter.

In the third quarter, NOVA Chemicals delivered an all time record Olefins / Polyolefins EBITDA of \$280 million while some of our competitors in North America and other parts of the world faced challenges.

The Alberta Advantage over the average U.S. Gulf Coast light feed cracker was 21 cents per pound of ethylene in the third quarter. This happened while U.S. ethane remained advantaged versus naphtha on the Gulf Coast and in most markets around the world.

We experienced very solid domestic and export demand for polyethylene, our Advanced SCLAIRTECH™ product line has continued to penetrate high value opportunities in North America and other parts of the world and the Corunna cracker continued to generate very solid EBITDA contributions.

Chris Pappas will cover details of our third quarter Olefins / Polyolefins results and will also review the negative impact on our reported earnings from a relatively weak styrene market combined with falling benzene pricing. He will also comment on our expanded joint venture with INEOS.

Larry MacDonald will cover three topics: cash flow, our Corunna feedstock program and the impact of currency on our results.

After Chris' and Larry's comments, I will discuss why we are looking at a much stronger fourth quarter than we experienced last year. Styrenics will be better, but the real issue is the fundamental strength in domestic polyethylene consumption, low inventories, good export markets, continuing record feedstock advantages and expanding ethylene and polyethylene margins for North American sales in the fourth quarter and beyond.

With that introduction, let's turn to Chris.

Chris Pappas, Chief Operating Officer

Thanks Jeff.

Let me start with Olefins and Polyolefins.

This business continues to perform extremely well. Our third quarter EBITDA of \$280 million is a record and compares very favorably to the \$228 million of EBITDA we reported in the second quarter. In fact, the quarter-to-quarter change represents an annualized \$200 million EBITDA improvement.

Our third quarter results bring our year-to-date Olefins / Polyolefins EBITDA total to almost \$670 million and 21% of sales. This is a business that is performing well on many fronts.

Our third quarter results include another strong performance from our Corunna asset with \$57 million of EBITDA.

At Corunna we were able to take advantage of strong demand for ethylene coproducts. Year-to-date the Corunna Olefins business has generated EBITDA of \$157 million versus \$89 million for the same period last year.

While we typically see a slowdown in demand for coproducts in the fourth quarter, it is clear that our recent investment in Corunna is paying off. We have more capacity, more flexibility, and more reliability at Corunna, allowing this asset to be a consistent contributor to our Olefins / Polyolefins business.

Now let's look at our Alberta-based ethylene business.

You can see in **Panel 1** that our Alberta Advantage over U.S. Gulf Coast producers increased to 21 cents per pound of ethylene cash cost this quarter. This is up from 13 cents per pound in the second quarter. This is the same type of increase we saw from the second quarter to the third quarter of 2006.

The Alberta Advantage has strengthened significantly in the last three years from 6 cents per pound in 2005, to 11 cents per pound in 2006, and is averaging 14 cents per pound this year, double the long-term historical level. Jeff will tell you why we think these stronger levels will continue, but the reasons behind the Advantage expansion in the third quarter, and continuing high levels in October, are important to understand.

Panel 2 shows that the basis differential between AECO spot gas in Alberta and Henry Hub spot gas widened to \$1.21 per mmbTU in the third quarter.

With high gas inventory levels following a strong summer build, both NYMEX and AECO prices are down. AECO gas prices decreased 23% in the third quarter, which resulted in substantially lower feedstock costs and expansion of our Joffre-based ethylene margins.

The feedstock situation was far different on the U.S. Gulf Coast where our competitors buy ethane – not gas. **Panel 3** shows the ethane to gas ratio on the U.S. Gulf Coast. Ethane prices relative to the price of natural gas continue at historically high levels. Ethane traded as high as 93 cents per gallon in the third quarter, a new record at the time, and was over \$1 per gallon on Monday. USGC naphtha traded as high as \$1.84 per gallon in the third quarter, also setting a new record high before increasing further in October. The 5-year average ethane to gas ratio is now 132%. The 3-year average is 140%.

As a result of higher feedstock costs on the Gulf Coast, there are extreme cost pressures on the ethylene and polyethylene producers who operate there. These cost pressures, coupled with strong domestic and export demand for polyethylene are leading to price increases.

In ethylene, Gulf Coast producers have nominated 5 to 6 cents per pound of price increase for October. On top of that they have also nominated an additional 9 cents per pound for November. These are very strong nominations for ethylene and reflect the severe cost pressures on the Gulf Coast.

The average North American price for polyethylene increased by 5 cents per pound in the third quarter versus the second quarter. More importantly, the situation as we enter the fourth quarter is even stronger.

Effective October 1, we implemented the announced 4 cent per pound increase in polyethylene. Now there are 2 additional price increases on the table. The first increase, for 5 cents per pound, was announced for implementation on November 1. We have reiterated to our customers that we now expect implementation no later than November 1. The second increase was announced just last week, a new and additional 6 cents per pound increase to be implemented November 15. We believe this increase is needed in order to cover the large increases in feedstock costs.

Despite higher polyethylene prices in North America, producers still have and we believe will continue to have a strong incentive to export. **Panel 4** shows the trend line for the Chinese polyethylene price versus

the range of contract and spot prices in North America. Prices in Asia remain high enough relative to the U.S. to create attractive export opportunities for North American producers, and NOVA Chemicals in particular. We don't see this changing anytime soon.

Polyethylene exports continue to be strong and set a new record in the third quarter. **Panel 5** shows that third quarter exports are up 6% from the second quarter and exports this year are up 32% over last year. NOVA will be exporting at our maximum rates during the fourth quarter as well.

In addition to export opportunities in Asian markets, high prices in Europe - given the strength of the Euro relative to the U.S. dollar - are also presenting attractive opportunities for exporters. All of this export activity is keeping the domestic market strong.

Domestic demand in the third quarter, as measured by polyethylene orders, has remained steady relative to the second quarter. Our hopper car data shows that not only are our customers buying polyethylene at strong rates, they are consuming significantly more polyethylene this year than last year.

In addition to strong demand for polyethylene in the third quarter, the industry saw a number of planned and unplanned ethylene supply interruptions that have carried over into the fourth quarter. Nearly 10% of North American ethylene capacity was down in September and 9% will be down in October. These outages, good demand, and the extreme cost pressures are driving the ethylene price increase nominations I mentioned earlier.

In the third quarter, the polyethylene market was being driven by very high industry operating rates of 95%, strong export and steady domestic demand, low producer inventories, significant feedstock pressure and now by ethylene supply interruptions. These market dynamics continue and provide strong support for the price increases announced for the fourth quarter.

So our Joffre-based assets, supported by a record Alberta Advantage are performing very well. Our Corunna asset is showing the kind of performance we expected from our expansion and modernization program and the outlook for the fourth quarter for ethylene and polyethylene is very good. Jeff indicated our Advanced SCLAIRTECH™ business is improving. We are doing very well and see room for even further improvement.

Advanced SCLAIRTECH™ polyethylene sales of 222 million pounds exceeded the plant's 850 million pound nameplate capacity for the second consecutive quarter. The plant is demonstrating production rates in excess of 900 million pounds per year. As we move through 2008, we will be increasing the output of this plant close to one billion pounds per year.

Advanced SCLAIRTECH™ business margins expanded further from record levels in the second quarter, in part due to continued market penetration with higher value products. We now see overall Advanced SCLAIRTECH™ margins rising faster than any of our other polyethylene assets. As you know, that is why we built our Advanced SCLAIRTECH™ plant, shifting away from lower margin standard products to high value unique products and reducing offgrade production have been the keys to the improvement.

Going forward, we expect Advanced SCLAIRTECH™ volumes and margins to continue to grow relative to our other Alberta-based production.

Now let's turn to our STYRENIX business.

Since the INEOS NOVA Joint Venture began operations on October 1, this will be the last time we will report results in this manner. Going forward we will report on our 50% share of the INEOS NOVA Joint Venture. Of course, we will continue to provide important styrene market information, since we have strong leverage to the Joint Venture's results.

Our STYRENIX business unit reported an EBITDA loss of \$21 million in the third quarter, down from a positive \$29 million in the second quarter. We said in our second quarter conference call that higher flow-through benzene costs, due to our use of FIFO-based accounting, would negatively impact our third quarter results.

More important than the FIFO accounting issue is the market dynamic in styrene monomer and polystyrene. These businesses are operating on weak market fundamentals. Given these market dynamics, any drop in benzene, the primary styrenic feedstock, immediately translates to lower styrene monomer and polystyrene prices. This is essentially because the styrenic customers have more power than producers, and they push the producers to pricing levels that just cover their view of variable production costs.

The combination of falling styrene and polystyrene prices and our higher priced flow-through benzene caused about \$38 million of the \$50 million EBITDA reduction quarter over quarter.

The remainder of the reduction came from our European Joint Venture where EBITDA was down \$12 million from the second quarter as a result of a weaker construction market demand and the significant summer slowdown we see every year in Europe.

There is some good news in styrene and polystyrene markets.

Effective October 1, reflecting higher feedstock costs and market conditions, the INEOS NOVA Joint Venture implemented a 4.5 cent per pound styrene monomer price increase and a 3 cent per pound solid polystyrene price increase. While these price increases will only allow a return to the modest margins we saw in the first part of the year, they are important nonetheless.

Despite our third quarter results, our year-to-date performance for the STYRENIX unit is positive \$27 million of EBITDA compared to a loss of \$30 million for the same three quarters in 2006. This represents an annualized improvement of about \$75 million.

NOVA Chemicals' STYRENIX business was delivering EBITDA at a \$30 to 40 million per year run rate before it went into the expanded joint venture on October 1, and before the expected new INEOS NOVA synergies. The expanded joint venture will provide a further cost and synergy basis to improve this business.

The expanded INEOS NOVA Joint Venture is now operational and will be a leading producer in North America and Europe as shown in **Panel 6**. We expect the expanded joint venture to deliver an additional \$50 million in synergies, of which 50%, or \$25 million, will come back to NOVA Chemicals.

The INEOS NOVA Joint Venture management team, as predicted, moved quickly to reduce costs. The Joint Venture announced on October 10th, just 9 days after its start-up, that it would shut down Montreal solid polystyrene production by the end of 2007. The plant has annual production capacity of 120 millions pounds, 6% of INEOS NOVA's North American polystyrene capacity or about 2% of North American polystyrene industry capacity. This action is the first step towards achieving the cost synergies we announced, as production is moved to the Joint Venture's more efficient plants.

INEOS NOVA expects total cash costs of the closure to be approximately \$7 million. This facility has been fully depreciated for a number of years; therefore, we will not take any asset charges related to this closure.

Starting in the first quarter of 2008, the Joint Venture expects savings of about \$5 million per year in plant fixed costs plus a reduction in ongoing working capital due to the closure of the Montreal site. This is part of the expected \$50 million of synergies from the Joint Venture.

We also communicated last month that NOVA Chemicals has agreed to acquire Sterling's styrene monomer production rights, as shown on **Panel 7**.

The Federal Trade Commission (FTC) is reviewing this transaction and we hope to close the deal soon. We believe further Joint Venture synergies of approximately \$30 million are associated with this arrangement. These incremental synergies are due to lower fixed costs per pound, and energy and logistical savings from operating the Joint Venture's styrene plants at higher rates.

Total new synergies expected from the INEOS NOVA Joint Venture are \$80 million, of which 50%, or \$40 million, will go to NOVA Chemicals.

We expect the Joint Venture to move quickly with further polystyrene capacity closure decisions, as well as, other cost reductions.

Let's spend a few minutes on Performance Styrenics.

We are pleased to announce that this small business has moved from an EBITDA loss of \$6 million in the first and second quarters to a positive \$3 million in the third quarter. This is one small step towards making this business a significant contributor to our total EBITDA.

Improvement was the result of higher ARCEL[®] resin volumes and cost reductions in the expandable polystyrene business.

ARCEL[®] resin volumes experienced double-digit growth in the third quarter, a healthy growth rate, but we are still not satisfied with the rate of sales volume progress and expect further improvements from the actions we have taken. We still believe that we can continue to deliver significant growth as we move through the first half of 2008.

We also continue to make progress on our various venture activities in Performance Styrenics and look forward to them contributing to our EBITDA as we move through 2008.

Now, I will turn it over to Larry

Larry MacDonald, Chief Financial Officer

Thanks Chris.

I would like to address three topics this afternoon:

- Cash flow
- Our feedstock purchasing program, and
- The impact of currency on our results

We generated \$186 million in funds from operations in the third quarter. However, the third quarter investments in working capital of \$201 million resulted in a negative \$15 million in cash from operations.

I would like to review the factors that caused this unusually high investment in working capital which, as you know, is driven by price and volume changes.

On the price side, we saw dramatic increases in the price of crude oil feedstocks and all associated Corunna coproducts, as well as, many of our finished product selling prices. For example, the WTI crude oil price was up over \$13 per barrel at the end of the third quarter versus the second quarter, while the benchmark polyethylene average selling price was up 5 cents per pound. The net impact of the price increases was approximately \$100 million in incremental working capital at the end of the third quarter versus the end of the second quarter.

Obviously price increases are not in our control and volatile feedstock markets are one of the reasons we are so focused on maintaining a solid liquidity base at all times.

On the volume side, some of the working capital increase is related to higher styrene monomer and Corunna coproduct sales volumes and therefore higher accounts receivable, but most of the increase is associated with lower accounts payable at the end of the third quarter versus the second quarter. AECO natural gas prices were down 23%, which reduced accounts payable dramatically. Because we do not carry natural gas inventories, there is no inventory offset. The timing of ethane purchases also reduced accounts payable quarter-over-quarter.

The net result was an increase in cash flow cycle time to 37 days at the end of the third quarter from 32 days at the end of the second quarter, adding almost \$100 million to our working capital investment. Our liquidity at the end of the third quarter was \$443 million as compared to \$508 million at the end of the second quarter.

One final comment on liquidity, the net \$126 million preferred share redemption was extended one year to October 31, 2008.

On the feedstock side, you will recall I talked about our feedstock purchase program for the Corunna flexi-cracker over the last number of quarters. NOVA Chemicals locks in butane and propane positions when attractive forward price ratios versus crude oil come available. During the third quarter of 2007, the forward market ratios allowed us to add to those positions extending the program out to 2011. The new positions that we have added are at similar or better ratios than the prior program, so we are confident that this program extension will be successful as well.

Our feedstock purchasing program has been very successful, and since 2004 we reduced our feedstock costs by \$65 million pre-tax.

We are required to mark to market the value of the feedstock positions that have not matured. The value of our outstanding positions appreciated in the third quarter, which resulted in a \$9 million before-tax gain in our corporate results.

It is quite clear to us that the expansion and modernization of the Corunna facility has allowed us to expand the usage of these very valuable feedstock acquisition tools.

I would like to take a minute and discuss the recent run up of the Canadian dollar to hit parity and beyond with the U.S. dollar. Because we report our results in U.S. dollars and a significant part of our operations are in Canada, we experience higher fixed costs when the Canadian dollar appreciates against the U.S. dollar. As **Panel 8** shows, the Canadian dollar increased an average of 5 cents during the quarter and caused our costs to be approximately \$11 million higher pre-tax than the second quarter. Because we saw a significant decline in our payables balance and an increase in receivables in the third quarter, there was no offsetting foreign exchange gain on our working capital balances as we saw last quarter.

Now I will turn it over to Jeff.

Jeff Lipton, President and Chief Executive Officer

Thanks Larry.

I am going to close by talking about our expectations for the fourth quarter and beyond and why I believe investors and analysts should take a new look at our company's fundamentals and its truly exceptional prospects.

I am not going to spend a lot of time on Styrenics, but would point out that we do expect some improvement in the fourth quarter and as we have stated we are confident that our joint venture with INEOS will lead to significant improvements in a relatively short time.

If you have not had a chance to review the September 19th presentation we made in New York, I urge you to see our company website for a complete transcript.

Now let's focus on Olefins / Polyolefins. As I said earlier, current conditions lead us to believe the fourth quarter of this year will be much, much stronger than the fourth quarter of 2006. If you recall my comments about the Perils of Polyethylene in our 2006 Annual Report, inventory is an important part of the story.

In the third quarter of 2006, polyethylene customers concerned about the potential for hurricane damage ordered heavily and producers increased production and raised prices, motivating even more buying for inventory to protect against those future increases. But consumption was not as strong as orders and North American export activity had not stepped up yet, so inventory kept building for producers, converters and distributors.

When energy prices started moving down in the fourth quarter, our customers, both in North America and in export markets, sharply curtailed orders and beat back prices. Conditions are very different this year. One of the most fundamental changes is the one we have been talking about for several quarters, naphtha has been returning to historical levels versus crude oil as excess supplies have shifted to gasoline production around the world.

The period of abnormally low naphtha values ended, and in 2007, North American production based on light feeds such as ethane became more globally competitive. This opened export opportunities and allowed very high North American ethylene and polyethylene production rates without the excess inventory build up we saw in 2006.

Panel 9 shows American Chemical Council (ACC) data for producer polyethylene inventory. By the end of the third quarter in 2006 we were at 50 days. This year we entered the fourth quarter with 41 days of inventory, about where we have been for most of 2007.

It is pretty obvious to us that our customers were hoping to push back announced price increases in the third quarter and were not afraid of hurricanes. They have been ordering less than they have consumed.

Look at **Panel 10**. Consumption by our customers, as measured by hopper car releases, has been steadier and stronger in 2007 than 2006, by a lot. We have seen acceleration, not a slow down, in North American use of polyethylene. It makes sense - the low U.S. dollar has pushed back packaging and film imports and the increase in the competitiveness of North American manufactured goods for export means there is a need for more plastic packaging. In addition, consumers continue to buy more and more polyethylene-based products.

In the third quarter, consumption of polyethylene by our customers was 11% stronger than the third quarter of 2006. In October, low customer inventories and continued strong consumption has resulted in very strong orders. As of Monday, our domestic polyethylene orders for October are 21% higher than last month and 26% higher than the same period last year. Our data also shows that customers have ordered heavily from distributors in October, reducing distributor's inventory sharply.

Panel 11 shows 2007 polyethylene exports for North America. They are up 32% from 2006. Naphtha costs are staying relatively high, global consumption is strong, and our folks tell us that trade journals in Asia are reporting the supply of domestic and imported resin is "limited".

We expect continued export strength and, as Chris said, we are exporting at maximum rates for the fourth quarter.

North American polyethylene operating rates as shown in **Panel 12** are at 95% for the first 9 months of 2007. History tells us that our industry cannot be expected to sustain that level of production utilization very long.

Given the high Gulf Coast ethane prices, some may ask, "Are we likely to see a shift in polyethylene demand to other polymers?" Not likely – first, the polyethylene market is much larger than the market for

polypropylene so any shift would rapidly put a strain on polypropylene operating rates. Secondly, and more importantly, higher global naphtha prices have had a bigger impact on propylene than on North American ethylene. **Panel 13** shows the ratio of North American ethylene pricing to propylene pricing. It has been down since 2001 and the trend continues to make polyethylene more economic for converters than polypropylene.

Of course, we normally see a seasonal slow down in polyethylene sales volumes late in the fourth quarter. I am not saying that won't happen this year, but at this point I can say that all the data suggests the fourth quarter will be much better for us than the fourth quarter of 2006 and potentially a lot stronger than we have seen for a while.

I do not believe we will see much opportunity for any meaningful inventory builds in the fourth quarter, so I am also very bullish on 2008 for our industry on the assumption that the global economy stays reasonably healthy, oil prices and therefore naphtha prices stay relatively high and the U.S. dollar will not strengthen significantly.

I remain convinced Middle Eastern polyethylene production will be much slower coming to market than many are projecting and that when it comes, it will move first to the higher cost markets in Asia and Europe. I must also say regardless of your view of new capacity impacts on the global markets, NOVA Chemicals will continue to prosper and grow.

If you believe oil prices will stay relatively strong, as I do, you will likely come to the conclusion that the Alberta Advantage has entered a new, higher value range.

Our cash cost advantage versus light feed based U.S. Gulf Coast crackers expanded to 21 cents per pound in the third quarter. As of last Friday, the October average is over 25 cents per pound.

I do not want to suggest that we believe the Alberta Advantage will stay this high. I would expect it to ease back, as we usually see, when the heating season increases the relative cost of natural gas - but consider **Panel 14**. The Alberta Advantage has averaged 7 cents per pound for the last 15 years, 10 cents per pound over the last 3 years and 14 cents per pound for the first three quarters of this year.

Panel 15 shows the two factors making up the advantage. The first is the conversion advantage, which is based on the energy efficiency of our large and well-designed crackers. This year, high-energy values have expanded this portion of the 14 cent year-to-date Advantage to 4.5 cents.

That is significant by itself and if you believe we are now in a period of higher energy prices, you have to believe that without massive unexpected North American cracker builds, the conversion efficiency portion of our Advantage will stay in place for the long term.

The rest of the Advantage is tied to the cost difference between our purchase price of Alberta natural gas and our competitors' cost for U.S. Gulf Coast ethane.

Panel 16 shows how Alberta natural gas prices, in red, have disconnected from WTI prices on the U.S. Gulf Coast and it is our view that North American oil and gas prices will remain disconnected for some time.

North American natural gas inventories are currently at record highs driven by modest summer demand for natural gas, record high LNG imports - which are up 58% over the last year - and increased U.S. gas production.

You may recall us saying last quarter that the new Independence Hub off the coast of Louisiana will increase North American gas supply up to 1 BCF per day (or 1.5% of domestic production) by the end of the year.

As we look forward, we believe the Independence Hub is on schedule and new gas coming online from the Rockies Express pipeline, will deliver up to 1.8 BCF per day to the mid-West. It will be built in four segments and is scheduled to be completed by mid-2009. In addition, we believe LNG imports into North America will continue to increase as new receipt capacity is brought online next year.

We see these new sources of supply as helping NOVA Chemicals' relative competitive position by lowering gas prices across the continent and adding little to ethane supply on the U.S. Gulf Coast.

Panel 17 shows U.S. Gulf Coast ethane prices versus WTI crude oil. The correlation is strong.

Panel 18 shows the data in a different way to reinforce the point. Ethane values as a ratio of WTI stay pretty close to 50%, periodically impacted some by supply / demand factors, but not significantly. The panel also shows that, on the other hand, ethane doesn't follow natural gas.

As a consequence, as shown in **Panel 19**, there is a good correlation of the Alberta Advantage to oil prices. Although at times like 1999 and 2000, the advantage expands with strong supply / demand balances for Gulf Coast ethane.

If you believe oil costs will stay high, you should believe naphtha costs will stay high. And, if you believe oil costs will stay high, you should believe the Alberta Advantage will stay high.

It is no coincidence that \$88 oil yields \$1.06 per gallon ethane and a 25-cent per pound Alberta Advantage.

By the way, oil averaged \$63 per barrel for the almost three-year period from 2005 to date and during that period the Alberta Advantage averaged 10 cents per pound. The price of crude has averaged \$68 per barrel so far in 2007 with the Alberta Advantage averaging 14 cents per pound.

So, as an investor or analyst, if you believe oil will average about \$60 per barrel in the future, you should have another look at modeling NOVA Chemicals' returns, and consider if our 7 cents per pound historical average is the appropriate level to project, or if 10 cents per pound or something higher more appropriate.

The answer is significant to estimates of our future earnings. Take today's Alberta-based polyethylene capacity of 2.3 billion pounds per year and include the total of 250 million pounds of polyethylene capacity we will finish adding by the end of 2008.

If you assume an Alberta Advantage of 10 cents per pound on top of historic average U.S. Gulf Coast chain margins for the new capacity plus a 3 cent higher, or 10 cents per pound Alberta Advantage for the existing capacity, we would see about \$180 million per year of additional Alberta based EBITDA by the end of 2008, at mid-cycle margins compared to what we would have earned with the 15-year average of 7 cents per pound.

This number assumes that our current margin sharing arrangements for third party ethylene sales stay in place and, of course, it is our intent to modify the contracts as they come up for renewal. One ends this year and another at the end of next year.

I hope you can clearly see why we are excited not only about the fourth quarter but also about the long-term future for our Olefins / Polyolefins business.

I would also reiterate that:

- If oil prices stay relatively high, so will naphtha and, as a consequence, we believe the future for North American ethylene / polyethylene producers looks very good, with excellent domestic markets and strong export opportunities.
- The INEOS NOVA styrenics joint venture is expected to show significant improvement in 2008 and 2009 due to cost reductions and efficiency improvements.

And very importantly;

- With higher oil prices the Alberta Advantage has widened and, as a result, I believe investors should think about a new higher range of competitive advantage, well above the 15-year average level of 7 cents per pound and the corresponding higher earnings, in every part of the cycle.

All told, I hope you can also see why we believe we can continue to outperform against many of today's assumptions and continue to deliver for our shareholders.

Thank you for listening. Now, we will take your questions.

Fai Lee, RBC Capital Markets

Thanks. Jeff I just had a question regarding the Performance STYRENIX and the outlook for Performance Products. Certainly two years ago you presented some pretty reasonable probably high targets, over \$100 million of EBITDA, and you talked about it being a hockey stick kind of expectation. We seem to be in the flat part of the hockey stick, when are we going to move up?

Jeff Lipton-NOVA Chemicals-President and CEO

Thanks Fai for asking that question. I'll turn it over to Chris Pappas.

Chris Pappas - NOVA Chemicals - Chief Operating Officer

Thanks Fai, we had two projections, if you recall in our Performance Products portfolio. One of those was our AST business, and as you may have gleaned from my comments, we are very pleased with the way that business is performing opposite those projections. We feel very comfortable about the kinds of numbers we talked about for that business in 2008. In fact, as we end the third quarter of this year, we're very, very pleased with the run-rate of our AST business in terms of EBITDA. On the other hand, we are disappointed with the Performance STYRENIX portion of that portfolio.

We've talked about the primary reason for that short-term disappointment which is the ramp-rate in our ARCEL volume. We've made some strides and improved that in the third quarter, and we have a number of programs we believe are going to continue to improve the growth rate of ARCEL through 2007 and into 2008. In order for us to be truly successful in the STYRENIX Performance Products business, we need not only a strong volume curve in ARCEL, but we are going to need some success in the ventures that we've talked about. Those ventures are really back-end loaded in this plan, and should start contributing to the EBITDA curve as we move through 2008, but largely in the later part of the year. It is those ventures in combination with a strong ARCEL business and an improving expandable polystyrene business that can ultimately get us to the original target that we talked about a year and a half or two years ago.

Fai Lee, RBC Capital Markets

Okay. So you are still comfortable with those targets.

Chris Pappas - NOVA Chemicals - Chief Operating Officer

We are still comfortable with achieving those kinds of numbers from that portfolio.

Fai Lee, RBC Capital Markets

Okay. My follow-up question is, Jeff if I heard you correctly, you expect improved results from STYRENIX heading into the fourth quarter, I guess it will be out of the JV. Is that taking into account also the seasonality in the business, that typically you get a little bit slower business in the fourth quarter?

Jeff Lipton-NOVA Chemicals-President and CEO

Sure Fai. We are very cognizant of the historic weakness in late November and into December for STYRENIX. We think that will occur again. But we do believe that the dynamic of benzene cost is going to allow us to raise prices and return to the kind of margins we saw in the first half of the year, and that we will show improvement in the fourth quarter versus the third.

P.J. Juvekar, Citigroup Global Markets

What are the net backs for you on exports to the Far East versus domestic sales?

Jeff Lipton-NOVA Chemicals-President and CEO

Well the net backs vary by country, but it costs us only a couple of cents a pound to get product from our Joffre plants to Northern China, and the net backs there are considerably better than some of the incremental business available in North America. So for distributor business and spot business of various types, we do better shipping to China on a routine basis. With our current Alberta Advantage, we find that business very profitable. I would tell you that when we look at the curve we are also starting to export product to India, and the net backs from India are about one-third up the curve given the current relatively modest level of those shipments. We think that is pretty good. Indian shipments are also beating some North American net backs as well.

P.J. Juvekar, Citigroup Global Markets

How are the increased shipping costs impacting you? Is there an impact from there?

Jeff Lipton-NOVA Chemicals-President and CEO

We are in pretty good shape. We've signed some long-term contracts, and the volume of product going from Vancouver back to China hasn't increased substantially, so we are still dealing with empty containers and ships, and we haven't seen a significant increase in the cost to get to China.

P.J. Juvekar, Citigroup Global Markets

And with your Alberta Advantage continuing into next year and the INEOS joint venture; Jeff, what are the chances that you would fire on both the cylinders next year?

Jeff Lipton-NOVA Chemicals-President and CEO

Well I think they are certainly improving. We know that we are going to take costs out and we are going to take them out rapidly. That will give us one step up. I certainly would be shocked to see any negatives coming out of Styrenics over the course of the year. I won't be shocked to see it quarter-over-quarter, but I would be shocked to see any negatives coming out of Styrenics in the foreseeable future. We are already as low as we can get I believe on cash contribution, and with further cost reductions, I think we'll be in positive shape over the course of the period. But only the markets will tell us what we are going to do in terms of really firing on all cylinders, and who knows what the markets will bring to us. We certainly don't have any control over pricing at this stage, nor do we expect to have any.

Frank Mitsch, BB&T Capital Markets

You know, in looking at the fourth quarter, you talked about price increases in ethylene and polyethylene throughout the third quarter, and we are starting the fourth quarter. So it looks like the pricing in the fourth quarter is going to be materially above where it was in the third quarter. You talked a little bit about Gulf Coast raw materials. Can you talk a little bit about the delta between your expected price increases and your expected raw material cost increases? Are these price increases likely to bring better margins? Are the price increases going to merely offset the feedstock increase for you, or should it result in some margin improvement as well?

Jeff Lipton-NOVA Chemicals-President and CEO

Well I would tell you that, the price increases that Chris outlined, we think are necessary for many of the producers on the U.S. Gulf Coast. As a consequence, we think the market will support them. If that comes to bear, and we would see significant margin expansion in the fourth quarter for us, given our expectations for natural gas and our view of what we are going to see on heavier feeds as well.

Frank Mitsch, BB&T Capital Markets

So if I could ask for a clarification, you mentioned in your discussion that in the fourth quarter you expect it to be significantly better than a year ago, and potentially the best that we have seen in a good while. Is that potentially the best that we've seen in a good while relative to previous fourth quarters, or you know, potentially better than what we've seen for the third quarter 2007 for example?

Jeff Lipton-NOVA Chemicals-President and CEO

My comments were really related to previous fourth quarters. The big unknown in my view is not margins, but the kind of volumes that we see in late November and December. Normally we have a volume turn down that is very strong in the STYRENIX, but also strong in ethylene and polyethylene as well. That will determine just how big a number we are able to deliver. But I can tell you that we feel very, very good about where we stand this year versus last and a number of the fourth quarters prior to that.

Frank Mitsch, BB&T Capital Markets

Alright, so theoretically if the volumes stay steady-- All else equal, if the volumes stay steady, your margins are going to be better fourth quarter versus third quarter, but of course history has shown us that volumes typically fall off in the later part of the year.

Jeff Lipton-NOVA Chemicals-President and CEO

That is correct.

Frank Mitsch, BB&T Capital Markets

Lastly, Larry you talked a little bit about the interest expense. Can you give us some idea as to what we should expect out of NOVA going forward on interest?

Larry MacDonald-NOVA Chemicals-Chief Financial Officer

I think we'll see that moderate a bit going forward, but that was driven up by the significant increase in working capital. Also early in the quarter we saw rates spike up a bit. And those short-term rates have moderated a bit.

Michael Judd, Greenwich Consultants

The weather has been really warm, I'm just curious in terms of your forecast for natural gas AECO prices. Do you think we are going to see the typical type of spike-up? I'm sure that the prices will go up as the weather gets cold, but do you think we are going to see the same type of up-tick in prices on the AECO basis as we have seen in past years? Then after that, I have a follow-up question.

Jeff Lipton-NOVA Chemicals-President and CEO

I think that is a particularly good question Mike, and obviously we don't have a good handle on what is going to happen with the weather. But I can tell you that increased supplies of LNG and more gas coming from the U.S. Rockies area, which is that new pipeline I talked about, is pushing gas back into Alberta. It is hard to tell exactly when the dynamics are going to change, but we are looking at price differentials of \$1.00 to \$1.20 at the present point in time for natural gas at AECO versus natural gas on the U.S. Gulf Coast. You know, we could see a big spike in Alberta.

The real issue though is how the supplies for Chicago and the East are going to be served, and whether gas is going to continue to be pushed back into Alberta, which would widen the differential. We actually like high energy prices, because that increases the Alberta Advantage, and we don't usually see anything but cold weather in Alberta. It will be nice and cold up there all the way through, and the real key is what happens in the lower 48, and how much gas comes out of the Rockies. I don't know if that helps, but what I am really trying to say is that it is really hard to determine just how high the spike will be this winter.

Michael Judd, Greenwich Consultants

When does that spike generally begin to occur?

Jeff Lipton-NOVA Chemicals-President and CEO

We normally see it late December and into January. The Alberta Advantage has historically started to mitigate around that point in time. We'll just have to wait and see, but I think we can count on it being relatively strong this fourth quarter versus previous fourth quarters, just on the basis of the start in October. We've never seen an October like we have now.

Michael Judd, Greenwich Consultants

One last question about AECO prices. So you were saying basically that the gas doesn't go really into storage there, you're extracting ethane as it comes through, but are there any storage capabilities there? Is there any sort of corresponding storage-type numbers as what they have in the U.S.?

Jeff Lipton-NOVA Chemicals-President and CEO

There is storage in Canada. It is much smaller in terms of volume than the U.S. storage capability, because gas tends to be stored at the consumption points rather than at the production points. But there is storage in Alberta. There is storage for ethane as well.

Sergey Vasnetsov, Lehman Brothers

We certainly will miss Chris Bezaire in his Investor Relations role, although, his transfer to Olefins/Polyolefins is already going to be seen in the very strong numbers. So hopefully more to come.

Jeff Lipton-NOVA Chemicals-President and CEO

Yes, I hope so.

Sergey Vasnetsov, Lehman Brothers

A couple questions on the Alberta Advantage here. Jeff you went through the numbers, what is going to happen when we go from 7 to 10 ¢, it is definitely in this discussion. Net-net even if you get Alberta Advantage fully on volumes and only partially on some others. Even today, what is the Alberta Advantage a year, is how much in EBITDA?

Jeff Lipton-NOVA Chemicals-President and CEO

Well we had the additional 3 ¢ at the volumes we talked about, 3¢ on the polyethylene expansion of 250 million pounds by the end of 2008. There is about \$180 million of additional EBITA, so \$16 million for a penny.

Now that is assuming that we continue with the margin share arrangements we have on about half of the ethylene we produce in Alberta, which goes to our customers today. As I pointed out, it would be our interest to modify those agreements as they mature. One comes due at the end of this year and one comes due at the end of next year.

Sergey Vasnetsov, Lehman Brothers

Okay. Second question is, looking at page two of your press release, the Alberta Advantage for the first nine months of last year was 12 ¢ and this year it was 14¢. And yet your Joffre Olefins EBITA was \$455 for nine months last year and \$400 this year. Can you help me to understand this?

Chris Pappas – NOVA Chemicals – Chief Operating Officer

One driver of that Sergey is the beginning of 2006, you have to remember, was kind of pumped up by the post-hurricane phenomenon. So we had a stronger starting point, and it really is the driver of that difference. That would be the one significant difference in the two years.

David Silver, J.P. Morgan Securities

I'm going to apologize in advance in case I'm asking you to repeat something; sorry I had to jump around here. So a couple of cash flow related questions. First, I was wondering if Larry could maybe just talk about the sharp increase in working capital this year. You said there was a large use in the third quarter and a larger net use for the nine months. Could you just explain maybe what the major factors behind that are?

Larry MacDonald-NOVA Chemicals-Chief Financial Officer

If I look at the total working capital increase for 2007, we are up about \$284 million from year end. Two-thirds of that is related to pricing and probably about one-third related to volume or cash flow cycle time days. On the pricing side, in December of last year, the average selling price was about 54 ¢ for the industry and in September it was 68 ¢. So that increase of 26% for NOVA translates into probably \$45 to \$50 million in an increased investment in accounts receivable.

Over the same time, crude oil prices from December through to September increased from about \$62 to \$80, ethylene prices from \$41 to \$52, so we saw significant price increases from December of last year to September 30, which caused about two-thirds of that \$284 million increase in working capital. That is something that everybody in the industry is seeing - those type of price increases and significant demand for higher working capital investments.

For NOVA, we also ended last year at about 32 days in cash flow cycle, 31 to 32, and increased to 37 in September. We're looking to work very hard to get back into our normal ranges by the end of the fourth

quarter of this year on cash flow cycle time. If not, into early in the first quarter of next year. So a lot of it is the price increases. Some of it is a cash flow cycle time increase.

Jeff Lipton-NOVA Chemicals-President and CEO

As I also point out David, as margins expand, the relative value of receivable and payables change. So working capital increases with increasing receivables and decreases with the payables. So if our margins expand, we are going to put more money into working capital by definition, and we like that part of it. So that is the other element that is going on, in addition to the two points that Larry made.

David Silver, J.P. Morgan Securities

Then a question for your Jeff. I tend to track at the end of each quarter where your net-debt position is, and you know, you've made a number of improvements in operations over the past few years. But I think it is a little bit striking that your net-debt really hasn't changed much or hasn't gone down over the last couple of years. You know, looking ahead, I was wondering if you could comment, I guess this is a question about uses of cash flow going forward. But you know, what kind of priority do you place on maybe getting your debt levels down and your credit rating up if we do head, as some industry consultants think, as we head into a more difficult supply/demand balance in the coming year or two?

Jeff Lipton-NOVA Chemicals-President and CEO

Well that is a fair question David. So I would tell you that we would certainly at this stage, regardless of what our view of the cycle is, think about reducing our debt, just because of the uncertainties and the financial markets, forget about the chemical markets. So that would be our first priority. I would point out that a good deal of cash as you have just indicated has gone into working capital growth. If the cycle turns down, and we think it would turn down mainly because of global economic issues rather than anything else, that working capital yields cash. Prices go down, margins go down, we'll be able to get cash out of working capital as well. So we're thinking along the lines on improving our balance sheet as we can, and I suspect that we are going to see some leveling off of energy values. And with continued good business, particularly with the kind of Alberta Advantage we are thinking about, we will be generating a good amount of cash, and we'll be using it for the debt.

Larry MacDonald-NOVA Chemicals-Chief Financial Officer

And just to reinforce that, the increase in the feedstock costs have driven us to about \$300 million, in increased working capital investment, which would have gone to debt reduction in 2007.

Mark Connelly, Credit Suisse

When I look at Corunna Olefins profits, given the mark-to-market feedstock benefit and the FIFO benefit, I would have expected those numbers to be higher. Am I missing something, or is this a timing issue?

Larry MacDonald-NOVA Chemicals-Chief Financial Officer

The mark-to-market benefit of \$9 million in the third quarter is included in the corporate line. We only move the gain or loss on those positions to the business when the positions mature.

Mark Connelly, Credit Suisse

Great perfect. So that is my explanation, thanks very much. So my question is a bigger one Jeff. With the talk up in Alberta about potential changes in energy royalties, can you give us your perspective on the situation up there, and whether you are concerned that might discourage future exploration?

Jeff Lipton-NOVA Chemicals-President and CEO

I would tell you first that I doubt very much whether the Province is going to respond totally to what the royalty committee recommended. They looked at a very narrow field, and the Provincial leaders are very much aware that income taxes also go into the Treasury, not just royalties, and they need to balance things. I don't expect that they are going to, as they say, "Kill the Golden Goose." I don't expect that at all; number one.

Number two, some moderate increase in the costs for very profitable oil and gas producers are not likely to have an impact on us. The markets control the pricing of natural gas as opposed to the net-back to the producers, and while we would certainly like to see continued investments and growth there, we think that will take place even with some modest modification to the royalties. Because after all, the royalties in Alberta today are in fact lower than they are in many other parts of the world. So I don't think it will slow down activity a lot. I think the bigger issue in the short-term has been the price of drilling rigs, the cost of drilling, and that has had some wild swings in Alberta. The cost of drilling is back down now, and I think we are going to see some increased activity up there very shortly.

Donald Carson, Merrill Lynch

Jeff two questions, one on Styrenics and the other on the Alberta Advantage. I'm just trying to get a sense for how much of the Alberta Advantage you are giving to some of your customers currently. With 4.8 billion pounds capacity, assuming you can run that at full load. That should give you \$12 million a quarter. Joffe was up \$50 million this quarter, which only translates into about 4 ¢. Does that mean that on about half of your production you're not enjoying the full Alberta Advantage, you are basically giving that away to your customers? If that is the case, how quickly can you claw that back?

Jeff Lipton-NOVA Chemicals-President and CEO

So Don, we don't give all of that to our customers, we share the advantage with them. We look at Gulf Coast prices, look at our costs and saw off the difference in between. It varies by contract, but we call them sharing contracts as opposed to flat out sales contracts. Margin-sharing is the term we use. We will be changing our perspective on those as they come due. We have one of those contracts coming up for renewal at the end of this year. The contract has to be renegotiated, and we expect it will be on different terms than we have today. Then another contract does the same at the end of next year. So we expect to see a change in the equation.

We would also like to use more and more of that ethylene ourselves, which is the biggest point. We will expand our polyethylene capacity by the end of 2008 by about 250 million pounds per year, and then we have an objective to build another polyethylene plant, and figuring out how to do that most economically is what we are looking at today. We want to use more of the low cost ethane ourselves, and sell less of it as ethylene to other people.

Donald Carson, Merrill Lynch

So near-term then, you get it fully on your 2.3 billion pounds of polyethylene production, soon to be 2.5, and then share the balance of it.

Jeff Lipton-NOVA Chemicals-President and CEO

That is correct, and at the end of this year, we'll have a different arrangement for some portion of what we sell.

Donald Carson, Merrill Lynch

How much will that free up?

Jeff Lipton-NOVA Chemicals-President and CEO

Well it won't necessarily free up anything, hopefully it will expand our margins.

Donald Carson, Merrill Lynch

Okay. Then on Styrenics you talked about the strength in polyethylene exports, or that the styrene monomer exports have been very strong from the U.S. this year. How sustainable do you think that is?

Jeff Lipton-NOVA Chemicals-President and CEO

Okay, I'll let Chris talk a little bit about it. But I think as we go longer-term, we would hope that the North American market grows to the point where we are in balance, and that we don't see a lot of exports out of North America. But that is yet to be seen. We haven't seen any imports, because the costs outside are actually higher than they are in North America. So I think the market is there. I think the European market appears to be about in balance, and the Asian market is short of styrene. So there is an opportunity, the question is what kind of pricing we can get.

Chris Pappas - NOVA Chemicals - Chief Operating Officer

Don, the only thing I'll add is, there has been some reasonable volume, but the margins are really almost non-existent. It is a very small margin business, so the design in our Styrenics business, in the INEOS NOVA JV is very clear. We intend to load up our North American assets that we have in the JV with our own styrene consumption, whether that is domestic consumption in North America, or our European JV derivative assets. We intend to become less of an exporter on our own right, and use more of that styrene in a balanced system if you will, within our JV. So that is the direction we are taking in our business, and that is part of the rationale for the Sterling production rights as well. That is the direction we are going to reduce our exports and fill up our low cost plants, and lower our costs and raise our synergies.

Donald Carson, Merrill Lynch

So would you put Sterling more in the category of one of those opportunistic exporters then, and so by not having that production anymore, the industry is less dependent on exports?

Chris Pappas - NOVA Chemicals - Chief Operating Officer

It is pretty clear, at least from what we know, they're generally an exporter. They of course have domestic business, but generally speaking they are quite active in the export market.

Edlain Rodriguez, Goldman Sachs

A quick question Jeff. Sabic this morning is on the tape talking about global pricing and margin pressure started in 2008. In the second half of 2008 because of capacity additions, I know you don't share his concerns. So why do you think he is being so gloomy?

Jeff Lipton-NOVA Chemicals-President and CEO

Well I think he wants to keep other people from building ethylene and polyethylene plants. You now, to me it is important to look at what is expected to start up and where it is expected to go. First you have to start up the ethylene crackers and then you've got to get the polyethylene started up and shipped and located. I just find it hard to believe that with the slowdown in construction timing, and the continued rapid growth in the import markets that we are going to see weakness by the end of 2008. If you look at all of

the capacity that is due to come on through 2007, 2.2 billion out of the 6.5 billion or so is supposed to come from Iran. I don't think we are going to see that product. I don't know that we will see it in 2008 at any point in time. Then there are four plants according to the CMAI data list, four plants in Saudi Arabia that are supposed to start up in 2008, I think that is what the person you are quoting is trying to protect. I don't know that they will get all those four up and operating in 2008 either, by the way.

Edlain Rodriguez, Goldman Sachs

Also, just a quick follow-up on polyethylene prices. Over the past few months there have been a lot of postponements and delays in terms of price implementation. At the same time, costs have been going up. What give you more confidence that this quarter, in the fourth quarter, that we won't see anymore delays or postponements. Then with the restart of the Huntsman cracker and so on?

Jeff Lipton-NOVA Chemicals-President and CEO

So ethylene was short, I think Chris said 10 or 12% in September; 9 or 10% in October. If that ethylene doesn't get converted into polyethylene for inventory, that is a good thing. That doesn't mean that we can't fill the current orders out of existing inventory. What we have been seeing through the summer, is that our customers were consuming more polyethylene than they were buying. Tracking the empty hopper cars going back to our plant is a very important thing for us to understand. We got to the end of September and inventories were so low in the hands of our customers that they have stepped up ordering dramatically in October, and there isn't enough product. People are restricting sales for inventory builds. I think we saw a big step up in consumption in the third quarter relative to the previous years. Very different than last year, we are up 11% in consumption in third quarter year-over-year. That didn't reflect itself in orders. Then we come into October, everybody is looking at further price increases down the road, limited inventories, and strong order patterns. So we are very pleasantly surprised by the extent of the orders in October. I think we will see the whole industry feeling the same way. Of course I don't know. But I think you will see buying everywhere. We also saw distributor inventories come down sharply in the first half of October, so there is no buffer at distributors either, and I think you are going to see very strong market conditions through most of the quarter.

Greg Goodnight, USB Securities

A question on the Alberta Advantage. First, let me preface the question by saying another way to look at the Alberta Advantage is the relative cost of ethane on the Gulf Coast versus natural gas. I'll make the observation that the current premium is near 100% on a contained energy basis?

Jeff Lipton-NOVA Chemicals-President and CEO

That's correct.

Greg Goodnight, USB Securities

And last year it was also 100% in the third quarter. In the fourth quarter, oil prices came down about 15%, yet the premium came down from about 100% to about 15%. To me this is reflective of perhaps supply/demand of ethane on the Gulf Coast. So what gives you confidence that they same sort of contraction isn't going to occur in the fourth quarter?

Jeff Lipton-NOVA Chemicals-President and CEO

I preface my remarks by saying that I believe when natural gas prices start to move up, as they do just about every heating season, that our Alberta Advantage will shrink as it normally does in December, January, and into February. So I don't expect that our Alberta Advantage will hold up where it is today, and I don't think anybody should expect that. But I would tell you that the advantage in October is dramatically different than we have seen in past Octobers. That makes me believe that our

average for the quarter is going to be distinctly different than it has been in the past fourth quarter. If you look at panel 18, you can see the ethane to WTI numbers, and how closely ethane follows WTI crude. It hovers around 50%, give or take a little bit. At the same time, you can see how it disassociates from gas.

Greg Goodnight, USB Securities

Yeah, I would expect to see a little more seasonality in that graph. So I will have to get back with you in terms of the data.

Greg Goodnight, USB Securities

Okay. But you know, you've given us a lot to think about. We appreciate that. The other question I had is in terms of timing with respect to the joint venture savings in styrene of \$80 million. Would you expect to see a run-rate of \$80 million towards the end of the year, or how, what guidance have you given with respect to implementation of the savings targets.

Chris Pappas - NOVA Chemicals - Chief Operating Officer

Greg, they have been operational for 20-days now as a new Company. With in the first 10 days, they made their first important decision, and that was to nominate the closure of the polystyrene plant, the Montreal asset. I mentioned that asset will reduce fixed costs by a little over \$5 million. That will start at the beginning of 2008. They are going to execute the closure at the end of 2007.

They will rapidly start to look at other decisions that drive that \$80 million to synergies. Now \$50 million of that comes from the activities contained in the North American portion of that JV, excluding the Sterling opportunity. Once we get the Sterling opportunity under our belt, we'll have both pieces to go after. We have our first Board meeting (of this newly formed JV) in late November. That management team is dedicated to driving as fast as they can.

It is hard to predict the rate; it is not going to be \$80 million. You said year end. I don't know which year you meant, but surely you didn't mean the end of 2007. If you were hypothesizing the end of 2008, I would suggest that is probably an aggressive timeline as well. But, you should also reflect back on what we did in Europe with the same partner in less than a two year period, we delivered about \$80 million of synergies there. So I think that gives you a frame of reference, and some sense of timing. Again, what I would like you to hang on to is that they just started, they are making decisions within 10 days, they are going to make a lot more in the next 30.

Greg Goodnight, USB Securities

Yes, I did mean 2008, and it sounds like the savings could be more front-loaded than back-loaded.

Chris Pappas - NOVA Chemicals - Chief Operating Officer

Well they have already started on the front-loaded end, and they are going to continue to drive that as hard as they can.

Charlie Neivert, Morgan Stanley

Two quick ones. One, how much of the purchasing during the spring and summer do you think might have gone into sort of pre-hurricane season kind of buying? It was definitely done, it is just a matter of how much? I'm assuming it is a lot less than last year, considering we are another year removed from the big storms. But do you have an estimate or an approximate idea?

Jeff Lipton-NOVA Chemicals-President and CEO

I would tell you that our fundamental view is that people were basically buying to consume. If you look at panel 10, it shows our view of our customer's consumptions. It is pretty flat for the year at a strong level. So I don't believe they were buying a lot for the hurricane season, I think they were buying to consume. And actually buying less than they were consuming. Particularly in the third quarter.

Charlie Neivert, Morgan Stanley

The other quick question is, you are talking about \$80 million in synergies for the joint venture. Do you have any idea or have sort of a ballpark about how much is going to be spent to get the \$80 million?

Jeff Lipton-NOVA Chemicals-President and CEO

Well I think we've got two areas. We don't have any view that we are going to have to take significant balance sheet write-downs, because we've already depreciated the assets. The polystyrene assets in particular.

Larry MacDonald-NOVA Chemicals-Chief Financial Officer

We've already taken most of those. It will depend on what recommendations come out of the joint venture management that are approved by the Board. There may be some assets that we were not anticipating. Certainly there were some unanticipated assets closed in the European joint venture once they got into the details.

Charlie Neivert, Morgan Stanley

Because you talked about already the \$5 million of fixed costs up there. But I mean closing a plant down entails a fairly significant number of actions, all of which cost something. So I am just trying to get around what those numbers would be.

Larry MacDonald-NOVA Chemicals-Chief Financial Officer

We have seen historically that generally we have invested a dollar to save a dollar per year.

Charlie Neivert, Morgan Stanley

Okay, so more or less sort of your payback is, if you are looking at it, sort of a year or a two year out, you are looking at a dollar to get the dollar there?

Larry MacDonald-NOVA Chemicals-Chief Financial Officer

We have seen that pretty consistently over our history.

Jeff Lipton-NOVA Chemicals-President and CEO

I would just make one modification to that, and I would refer you back to our website about the costs associated with our deal with Sterling. In that case, we are going to get efficiencies of energy utilization and fixed cost efficiencies in our existing plants. It will mean a cash pay out to them, but that will come up front.

Charlie Neivert, Morgan Stanley

So the cash pay out goes out day one, and then over the course of time you recapture it through your own efficiency?

Jeff Lipton-NOVA Chemicals-President and CEO

That's correct.

Jeff Lipton-NOVA Chemicals-President and CEO

Okay. Thank you very much everybody. Sorry we ran so long.