

Wind operators measure Ontario market

Lake Huron project clearing regulatory hurdles

By James Bow
Business Edge

Scott Dodd sees the future blowing in the wind.

The director of operations for Enbridge Ontario Wind Power LP is excited about a new wind farm that is clearing regulatory hurdles in Kincardine, four hours northwest of Toronto. The project near the Lake Huron shoreline will include 110 wind turbines and produce 189 megawatts (MW) of power.

"We went to Ontario because it's got wind," says Dodd. "You get a fair amount of constant wind around large bodies of water and Ontario's proximity to the Great Lakes makes for great potential.

"Then there are the links to existing infrastructure," he adds. "Northern Ontario also has a good wind resource, but you have to get as close as you can to existing infrastructure and that's easier in southern Ontario."

Calgary-based Enbridge Inc. is better known as an oil pipeline company that owns Canada's largest natural gas utility, Enbridge Gas Distribution, which provides natural gas to about 1.8 million residential, commercial and industrial customers across Ontario.

Its interest in wind began in 2000 and since then Enbridge has built three wind farms – Chin Chute at Taber (30 MW) and Magrath (30 MW), both in southern Alberta, and Sunbridge in southwest



Larry MacDougall, Business Edge

Pincher Creek turbines deliver some of the 354 MW of wind energy Alberta produces for the expanding Canadian market.

Saskatchewan (11.2 MW).

The Kincardine project is the largest the company has undertaken.

With the rising cost of oil and concerns about pollution, interest in wind power has grown at an exceptional rate. Canada was only the 14th largest producer of wind energy in the world in 2005, but so far this year, 534 MW have been added to Canada's capacity.

Canada now produces 1,218 MW, enough to power 370,000 homes.

A year ago, looking to increase electrical production and close coal-fired power plants, the Ontario government issued a request for proposals for renewable energy.

The Ontario Power Authority is encouraging wind development by offering to purchase power on 20-year contracts at a minimum of 11 cents per kilowatt hour.

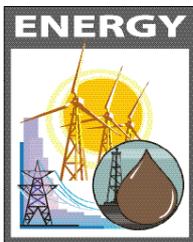
Jason Edworthy, managing director of market development for the Vision Quest wind division of Alberta-based power producer TransAlta Corp., is keeping an eye on developments in Ontario. The company has identified a number of sites in the province as possible developments.

opment and environmental protection.

"Transmission lines to Ontario, Saskatchewan and Alberta (all) need improvement," Wojczynski said at the CanWEA conference.

The province exported \$818 million of electricity in 2005, beating the previous record of \$596 million set in 2001. Sales to the U.S. were up 12.9 per cent, but Canadian exports were down 30.7 per cent.

(Sharon Adams can be reached at sharon@businessedge.ca)



TransAlta was established 95 years ago to develop hydroelectric power in Alberta.

"We acquired thermal plants, built coal plants and natural gas," says Edworthy. "Today, we have assets in Alberta, Ontario, Washington state and California. We're the largest player in the wind industry in Canada, with 220 wind turbines producing 189 MW of energy."

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Transmission lines a challenge

About \$1 billion is being spent upgrading Alberta's transmission system, and enhancing it to support new wind power development is one of three key transmission goals.

Improving inter-provincial transmission lines is also on Manitoba's mind and is one of four challenges facing wind power development in that province, says Manitoba Hydro's Wojczynski. Others include cost-effective generation, dependability of supply and balancing economic devel-

Canadian-Chinese energy ties promoted

But federal trade minister says lack of transparency is sensitive issue

By **Monte Stewart**
Business Edge

Oilsands operators are missing out on lucrative Chinese investment opportunities because the Canadian oil and gas industry is not competitive with international rivals, says an expert on Canadian-Chinese energy relations.

Wenran Jiang, acting director of the University of Alberta's China Institute, also contends the federal government's failure to understand Chinese intentions in Canada will jeopardize future investment.

"We're facing a very uphill battle in winning Chinese investment in Canada," said Jiang, during a recent Asia-Pacific Summit held in Vancouver. "We are already in a position of needing China

more than China needs us."

Oilsands producers are looking forward to securing billions of dollars worth of deals with Chinese firms on oilsands facilities, pipeline projects, and oil and gas sales as several projects come onstream in the next decade.

But Jiang said Canada's industry is not taking advantage of the needs of Chinese industry.

Federal Trade Minister David Emerson also gives Canada scathing reviews for its business-building efforts with the Asian economic giant.

In a recent speech to the Vancouver Board of Trade, Emerson said if not for energy, Canada might have suffered a decline in overall Asian trade while several other countries enjoyed large increases.

"(Chinese petroleum firms) are in the Sudan and they're in lots of places where Canadians would fear to tread," said Emerson. "But (it) is not an issue just with energy. Asia trade has suffered, probably, a decade of governmental neglect. It's not just governmental neglect. Canadian companies have been distracted elsewhere

— primarily North America."

Emerson noted the issue surrounding Chinese state-owned enterprises is their lack of transparency. "It's an issue of great sensitivity to Canadians," he said.

But Jiang says Ottawa's fears of state-owned Chinese firms taking control of oilsands projects are jeopardizing China's willingness to invest here. He added this "short-sighted approach" shows a lack of understanding of China's internal economic, political and social dynamics.

Some critics, citing risks to Canadian energy security, have called on Ottawa to limit Chinese firms to minority stakes.

But Jiang said Chinese firms don't plan to make large investments in the oilsands and also lack the expertise to manage Canadian companies.

"We think somehow that Chinese energy companies directed by the state are coming to take over Canadian natural resources," said Jiang. "The issue is opposite. It's not that we have too much Chinese investment, but too little."

During the past three years,

Jiang has organized bilateral China-Canada energy conferences at the U of A and in Beijing. He also helped the former Liberal government secure an energy co-operation agreement with China that is still in effect, and has written extensively on Chinese-Canadian oil and gas matters for academic publications and mainstream media.

Currently, Chinese stakes in the oilsands account for \$300 million out of \$30 billion — or 10 per cent of total investment in the oilsands, said Jiang.

PetroChina International Co. Ltd. and Calgary-based Enbridge Inc. have signed a memorandum of understanding on the proposed \$2.5-billion Gateway pipeline, which plans to ship 400,000 barrels of Alberta crude per day between Edmonton and the deepwater port of Kitimat, B.C.

But Enbridge has not been able to match supply with demand for the line, which would export oil to China, other Asia-Pacific markets and California.

Coal accounts for 67 per cent of China's current energy mix, while oil represents just over 22 per cent.

Energy experts say the country has a strong thirst for relatively cleaner energy sources such as natural gas, which makes up only two per cent of its energy supply.

Canada is considered one of China's most important sup-

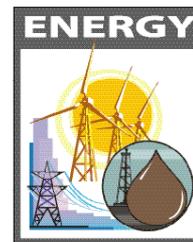
pliers over the next several decades, because of its abundance of conventional and alternative energy sources, its geographical proximity to Asia and its cultural ties.

But Canada's increased energy trade with China is not a sure thing, warns Jiang.

"The fact is, Canada is not competitive," he said. "We have not done any major deals in the area of energy for several (years.) We have not had a (new) pipeline built from Edmonton to the West Coast, and we have no potential — in the near future — to export (more) oil."

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Wind power producers face multiple obstacles

TransAlta wasn't in the wind business until 2000, when it invested in an Alberta company called Vision Quest Wind Electric.

"It was a pure wind company, started in 1996 during the deregulation of the Alberta energy market," says Edworthy. "They found customers, raised money and built turbines.

"Wind has little in the way of fuel costs, but you have to put a lot of money upfront," he adds. "In 2002, work began on McBride Lake, a 75-MW project near Fort Macleod (Alta.), co-owned with Enmax, Calgary's city utility.

"This was during the California energy crisis and the downfall of Enron. Credit issues in this sector became paramount. Vision Quest didn't have an investor credit rating; TransAlta did. The right thing for us to do was to acquire Vision Quest, giving it access to the capital it needed."

However, companies including Enbridge are encountering obstacles. Until recently, the Kincardine project included 11 additional turbines in the neighbouring municipality of Saugeen Shores.

"Setbacks were a challenge," says Debbie Boukydis, manager for public and government

affairs for Enbridge Ontario Wind Power. "Typically, one is asked to keep turbines 50 metres back from a rear-facing lot, but Saugeen Shores required 250-metre setbacks. Because of this, we stepped back from the Saugeen Shores part of the proposal.

"We underestimated the approvals required," she adds. "We've completed our environmental screening report, and the First Nations consultation is moving along well, but despite receiving near-unanimous approval from the Kincardine council, we've had to face 43 appeals to the Ontario Municipal Board. This means a decision may not occur until next June, and we'd hoped to start building our substation this year."

Edworthy sympathizes. "Alberta has had wind running for 20 years; people are familiar with it. They see it as a bonus. It hardly takes up any land, and it pays rent. It keeps families on the farm. It pays taxes to the rural counties and it results in high-tech jobs in those communities.

"In Ontario, this is new and different," he says. "There is also a higher population and landholdings are smaller. This doesn't mean that

Ontarians are anti-wind.

"I'm confident that the projects will generate familiarity and comfort. People will say: 'I was worried about this, but now I have relatives coming to see these things and I'm proud of it.'"

This difference may be one reason why Alberta is now Canada's largest wind producer, with 354.15 MW of installed capacity. Ontario is not far behind at 319.17 MW.

Boukydis and Dodd note that wind energy projects are exempted from a full environmental assessment in Ontario, but they still have to do their homework to ensure their developments are good neighbours and affect local wildlife as little as possible.

"A typical complaint is over noise," says Boukydis. "With respect to that, we have to receive a certificate of assessment from the Ministry of the Environment, to satisfy the province's noise requirements. We also do extensive screening work to look at the birds and bats, to put mitigation strategies in place."

Birds have been an issue at certain wind farms, says Dodd. "One project which gets a lot of attention is the Altamont Pass in California, where the

topography channels migratory birds up a valley, where they strike the turbines. This is why we chose the site in Kincardine. We're behind a ridge that runs alongside Lake Huron a kilometre back, and the birds follow the shoreline."

The research says that, on average, two birds a year die at a particular turbine, he adds. "Our existing projects are well below that. Compare that to buildings in downtown Toronto, where hundreds of birds die each year, especially if they leave the lights on at night."

The Canadian Wind Energy Association is tracking the growth of wind energy in Canada. It notes that the industry has been growing at 30 per cent per year over the past five years. For Edworthy, the only real limits to his ambition is transmission access.

"We are short on transmission space," says Edworthy, "We've had to depend on infrastructure built a couple of decades ago when we had a smaller population and less of an electricity load. We haven't been keeping up and we're running into bottlenecks.

"Our Sismerview wind farm (in Pincher Creek, about 200 kilometres south of Calgary) can double its size to

136 MW," he adds. "It has provincial approvals, but is limited by transmission space. When that transmission is done, TransAlta will consider that investment."

Prospects continue to grow as government interest in wind power grows.

Manitoba will issue a request for proposals this winter to add 300 MW of wind power, says Edworthy. "We hope to participate in that. We've also got opportunities in Ontario that we've been working on for about a decade."

Dodd believes the remaining skeptics will be convinced that wind is the way of the future.

"We're trying our best to make it work," says Dodd. "We maintain an office in Kincardine to keep in touch with the community. Ontario has tough decisions to make, as I don't think the status quo is sustainable. You can either turn off your air conditioners, or you can find other sources of power."

Web Watch:

www.enbridge.com/ontario/windpower
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