SURREY – Bill Bennett, Minister of Energy and Mines and Minister Responsible for Core Review and Jessica McDonald, president and CEO of BC Hydro, announced a new Power Smart program that will reduce electricity costs for pulp and paper producers.

The program will help producers remain globally competitive, supporting thousands of jobs throughout the province and will reduce overall electricity demand, keeping rates low for all customers over the long-term.

The new program builds on existing initiatives for industrial customers where BC Hydro provides a financial incentive of up to 75% of the project cost to support investments in more energy efficient equipment.

Under the new program, thermo-mechanical pulp and paper producers, which have electricity costs that account for as much as 30% of their operating budgets and represent 10% of BC Hydro’s annual power sales, will be eligible for increased incentives ranging from $5 million to $25 million for projects that can reduce their power consumption.

The program is expected to reduce electricity consumption by 300 gigawatt hours per year which will save pulp and paper producers $17.5 million in annual power costs. In addition, by reducing overall electricity demand by this amount, BC Hydro will avoid the need to acquire new sources of power generation, saving ratepayers up to $265 million and keeping rates low for all customers.

The demand for electricity in British Columbia is expected to grow by 40% over the next 20 years. Investing in energy efficiency is a key component of BC Hydro’s Integrated Resource Plan target to meet 78% of this new demand through conservation, which is more cost-effective than acquiring new sources of power generation.

There are seven thermo-mechanical pulp and paper operations in B.C. operated by four companies: Canfor (Taylor), Catalyst Paper (Crofton, Port Alberni and Powell River), Paper Excellence (Chetwynd and Port Mellon) and West Fraser (Quesnel).

The new program adds to the $1.6 billion that BC Hydro will spend on Power Smart initiatives as part of the 10 Year Plan. Earlier this month, government, BC Hydro and FortisBC announced an expansion of energy-efficiency programs to help customers, particularly those on low-incomes, reduce their electricity and gas bills.

BC Hydro continues to work with all of its residential, commercial and industrial customers on Power Smart programs and is also conducting a rate design review to provide large industrial customers with more flexible rate options to manage their costs and stay competitive.
Quotes:

Bill Bennett, Minister of Energy and Mines and Minister Responsible for Core Review –

“Government and BC Hydro have worked closely with large industrial power users to find collaborative ways to reduce their electricity costs and make investments in energy efficiency that will benefit all ratepayers. This new program is a key part of our 10 Year Plan commitment to provide customers with tools to manage their energy costs as BC Hydro makes investments to maintain and grow our electricity system.”

Jessica McDonald, president and CEO, BC Hydro –

“Electricity is the backbone of our economy. Thanks to the investments made in our hydroelectric system decades ago, our industrial customers enjoy among the lowest rates in North America. However, as we renew and reinvest in our system to ensure safe, reliable power in B.C., I’m pleased that we are able to offer a new opportunity for our industrial customers to save electricity and reduce their operating costs.”

Joe Nemeth, president and CEO of Catalyst –

“I would like to thank the provincial government and in particular, Minister Bennett, BC Hydro’s leadership, namely Jessica McDonald and her predecessor Charles Reid along with Joanne Scofield, for constructively working with industry to find timely, workable solutions to reduce power costs. This is an important step forward, which combined with the rate design review currently underway, will allow us to remain competitive and continue to generate economic benefits for the Province of B.C.”

David Formosa, mayor of Powell River

“I am very pleased that Minister Bennett and the provincial government listened to the concerns of our communities that rely on this industry as their economic backbone. This is an important first step in dealing with the increasing power costs facing this industry and along with the rate review process, will go a long way to ensuring that the jobs in Powell River and other communities will be here for the long term.”

Mike Verdiel, union president of Unifor Local 76 –

“This energy conservation program will improve the long-term viability of jobs at Catalyst’s mills and the mill community as a whole. A large part of Powell River’s economy relies on the pulp and paper mill. This new program created by the Ministry and BC Hydro is not only good news for resource, ratepayers and Catalyst – it means job stability and opportunity in Powell River also.”

A backgrounder follows.
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British Columbia's and BC Hydro's programs

Power Smart’s Thermo-Mechanical Pulp Program:

- The total amount of project incentives available to customers over a three-year period is $100 million.
- For incentive amounts for each facility based on the horsepower of existing refiners as of April 1, 2014, and resulting allocation, click here: [http://ow.ly/zxUa1](http://ow.ly/zxUa1)
- Customers with multiple operations can combine their allocated incentive funding to support a larger investment at one facility. However, each facility must receive a minimum of $5 million in incentive funding.
- Incentives will range from $5 million to $25 million per project and can cover up to 75% of the total cost, with the customer contributing at least 25%.
- BC Hydro the projects will reduce electricity consumption by a combined 300 gigawatt hours a year. This will save thermo-mechanical pulp customers approximately $17.5 million in annual electricity costs and will keep rates low for all ratepayers by allowing BC Hydro to avoid spending $265 million to acquire new sources of power generation.
- Project applications must be submitted by Oct. 1, 2015. Projects will be given a 24-month completion window.
- Examples of projects that could receive funding under the program include a number of different technologies including low consistency refining, inter-stage screening and refiner motor upgrades.

BC Hydro Power Smart programs:

- Under the 10 Year Plan, BC Hydro will invest $1.6 billion in Power Smart programs to provide residential, commercial and industrial customers with the tools they need to reduce their electricity costs by becoming more energy efficient.
- Over the next 20 years, the demand for electricity in British Columbia is expected to increase by 40% due to an expected population increase of 1.1 million people, a growing economy and new products and technologies that will increase power consumption.
- Investments in energy efficiency are the most cost-effective way to meet the increased demand for electricity.
- BC Hydro plans to meet more than 78% of future electricity demand through investments in energy efficiency.
- Power Smart programs currently save 4,460 gigawatt hours of electricity annually - enough to power about 425,000 homes each and every year.

Power Smart programs for industrial customers:

- BC Hydro has the fifth-lowest industrial rates in North America.
• BC Hydro’s industrial customers use about one-third of all the electricity consumed in B.C. each year.
• BC Hydro’s industrial customers are responsible for 1,500 of the 4,460 gigawatt hours of electricity saved annually through Power Smart – about 34 per cent.
• BC Hydro expects savings from the industrial sector to increase to more than 2,000 gigawatt hours a year by 2021.
• BC Hydro currently spends about $65 million on industrial Power Smart programs each year.
• For every $1 BC Hydro invests in Power Smart programs for industrial customers, it saves about $3 in generating costs.
• BC Hydro’s current Power Smart programs for industry include:
  ◦ Strategic energy management: initiatives to embed energy management into the overall operations of the company. For example, BC Hydro provides financial support for energy managers who work for industrial customers to identify and implement energy efficiency projects.
  ◦ Load displacement: BC Hydro provides funding for the development and installation of clean or renewable on-site generation that displaces electricity otherwise supplied by BC Hydro.
  ◦ Energy Studies and audits: various options are available to help customers uncover opportunities and savings at their facilities. A free energy assessment gives customers access to energy experts who can delve into energy use opportunities to reduce costs.
  ◦ Project incentives: Power Smart offers incentives to help customers implement energy efficiency projects.

British Columbia’s Thermo-Mechanical Pulp and Paper Industry:

Pulp is produced using refiners to mechanically breakdown material. The refiners are run using very-large horsepower motors and hence the high electricity consumption. Thermo-mechanical pulp is different than craft pulp and a much higher amount of electricity is used to produce this pulp. B.C.’s thermo-mechanical pulp sector is the largest single industry segment and consumes approximately 10% of BC Hydro’s supply. This sector has many opportunities for large energy efficiency projects with proven technologies.

For production in tonnes of product per year, as well as numbers of direct and indirect jobs, click here: [http://ow.ly/zxUsw](http://ow.ly/zxUsw)

The thermo-mechanical pulp (TMP) industry in B.C. can be split into two sectors: market-oriented and internally oriented.

The Interior mills, Quesnel River Pulp, Canfor – Taylor, and Paper Excellence – Chetwynd all produce TMP for the market. The TMP is sold to paper producers who convert it into uncoated paper products such as newsprint, coated paper products such as magazines, and paperboard for packaging materials. A smaller, but growing, market is tissue products, primarily paper towels and napkins. The TMP is sold to North American and Pacific Rim customers. Competition comes from global producers of hardwood and softwood Kraft pulp, with hardwood being the prime competitor.

The Coastal mills are internally-oriented. The TMP produced is used within the mill and
converted into paper products. These mills cannot sell TMP directly into the market because they do not have a pulp dryer section. Catalyst produces newsprint, directory-grade paper, coated paper for magazines and specialty paper Howe Sound Pulp and Paper produces newsprint. In North America, the competition comes from Resolute Paper, Norpac Paper and Verso. In the Pacific Rim, European producers such as Stora Enso, UPM Kymene and Norske Skoog have entered the market along with regional producers in South Korea, Japan and China.

**West Fraser – Quesnel River Pulp**

The TMP produced at QRP is used for manufacturing products such as coated board grades, printing and writing papers and paper towel/napkin grades. Quesnel River Pulp ships mainly into Asian markets.

**Canfor – Taylor**

All pulp produced at the Taylor pulp mill is sold by Canfor Pulp’s sales offices in Vancouver, Canada, Brussels, Belgium, and Tokyo, Japan, to customers in North America and Europe. Taylor Pulp maintains its production rate with wood chips trucked in from the various Canfor sawmills in the Peace Region.

**Paper Excellence – Howe Sound Pulp and Paper, and Chetwynd**

Howe Sound Pulp and Paper produces primarily for the North American market with some exports to the Pacific Rim.

Paper Excellence purchased the closed Chetwynd mill from Tembec in April and is in the process of ramping up to full production of approximately 230,000 tonnes of thermo-mechanical pulp.

**Catalyst – Crofton, Port Alberni, and Powell River**

Catalyst Paper Corporation is the world’s largest producer of telephone directory paper and North America’s third-largest producer of newsprint and specialty paper. Its customers include retailers, publishers and commercial printers in North America, Latin America, the Pacific Rim and Europe.

Powell River and Port Alberni produce lightweight coated papers and groundwood specialty papers. Crofton produces newsprint, directory paper and northern bleached softwood kraft (NBSK).

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