



CITY OF QUESNEL BACKGROUND

For Immediate Release

November 7, 2006

Council approves City Manager's Renewable Energy Task Force initiative

BACKGROUND:

The Mountain Pine Beetle (MPB) infestation has reached epidemic proportions in British Columbia, affecting an estimated 10 million hectares of forest. The economic uncertainty surrounding the MPB epidemic is underscoring a need to diversify Quesnel's economy from its over dependence on the forestry industry.

On June 12, 2006, Quesnel City Council participated in a workshop presentation, wherein a report prepared by the BIOCAP Canada Foundation was presented. The report showed that a portion of the trees killed by the mountain pine beetle could be used as a clean energy source. The report concluded that a large scale power plant using about 7% of the tree biomass killed in the MPB infestation could provide central B.C. with 300 MW of power for the next 20 years.

In spite of the findings contained in the BIOCAP report, no one has come forward to exploit the benefits of this potentially lucrative economic development opportunity. This type of initiative is complex, and there are many unanswered questions surrounding the ultimate feasibility of a wood-fired power production facility in the Quesnel area.

Over the past few months, preliminary discussions have taken place with BC Hydro and provincial government officials. Last week during the annual UBCM Convention, meetings were held with both the Hon. Rich Coleman, Minister of Forests and the Hon. Dick Neufeld, Minister of Energy, Mines and Petroleum Resources concerning feedstock issues and the ingredients for a successful IPP proposal.

All indications are that the City of Quesnel is well positioned to pursue an Independent Power Producer (IPP) type of arrangement with BC Hydro. If the provincial government elects to proceed with a special pine beetle call for energy, the City would be in an even better position.

Part of the province's energy policy is to decentralize the development of electrical energy potential and to promote the development of alternate energy sources. If the City were to consider pursuing a biomass IPP opportunity, it would be consistent with both aspects of the province's energy policy.

The benefits of IPP development in a community are immediate and long term. The immediate benefit is positive economic impact of a capital project that will create jobs during construction and result in significant expenditures for goods and services in the local economy, and an increase in the local tax base in perpetuity. If the City were to assume an equity or partial ownership interest in such an initiative, the economic returns could be substantially higher; however, the level of risk would also be increased proportionately.



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All indications are that the City should position itself and get ready to respond to renewable energy initiatives that will be coming from BC Hydro and other levels of government. In view of the economic uncertainties surrounding the MPB infestation, the City needs to be more proactive in identifying development opportunities relating to energy production and unutilized wood waste.

About Independent Power Producers in BC

(Source: Independent Power Producers Association of British Columbia)

- There are 43 IPPs operating in B.C., equally distributed between; Vancouver Island, Southwest Mainland, Southeastern Interior and north of Williams Lake.
- BC IPPs currently generate 5,000 GWh of electricity - enough to supply 500,000 homes in B.C.
- B.C. IPPs provide approximately 1,000 MW – 9% of B.C.'s 11,000 MW total system capacity.
- B.C. IPPs current generation of 5,000 GWh is 9% of B.C.'s domestic electricity load, up from 7% in 2001 - enough to supply 500,000 homes in BC.
- The total current construction value of B.C.'s 43 IPP project is \$2 billion.
- B.C. IPPs have created 4,000 person-years of construction employment since 1990.
- In fiscal 2005, BC Hydro imported 6,896 GWh which is 12.5% of B.C.'s domestic load (page 17 of BC Hydro's 2006-09 Service Plan, issued Feb. 24, 2006).
- There has never been an IPP built for export in the province.
- B.C. IPPs current generation of 5,000 GWh is 9% of BC's domestic electricity load, up from 7% in 2001.
- Hydro IPPs in B.C. generate 1,550 GWh of green energy each year, offsetting the creation of 450,000 tonnes of CO2 emissions by typical thermal power plants.
- The wood-waste fired Williams Lake Generating Station IPP shut down several beehive burners and reduced particulate emissions by over 95%.
- 250 companies now belong to IPPBC, up from 22 in May, 2001, and up from 175 when IPPBC was founded in 1992.

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This backgrounder is available at www.city.quesnel.bc.ca.

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