



June 26, 2002

File Number: 024-5

NATIONAL CLIMATE CHANGE PLAN  
National Stakeholders Process

Fax: 1-866-262-2026

Attention: Gladys Hill

**RE: Federal Discussion Paper Addressing Climate Change**

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ATCO Power has been involved in the climate change discussion for a considerable length of time. In light of the release of the federal discussion paper, we find it expedient to respond with our concerns, many of which are shared by others.

By way of introduction, ATCO Power is part of the ATCO Group of Canadian companies. ATCO Power is in the electricity generation business in Canada and internationally. We own and/or operate nearly 5000 MW of coal, natural gas and hydro generation capacity, both installed and under construction.

By the very nature of our business, ATCO Power would find itself in the category referred to in the federal discussion paper as a large final emitter. Our greenhouse gas (GHG) emissions (primarily consisting of CO<sub>2</sub>) come from our thermal generating facilities. In addition to our coal-fired plants, we have over the past several years constructed and begun operating new gas-fired cogen and gas turbine facilities, all of which result in lower GHG emissions and more efficient use of energy. Hence we have a keen interest and stake in the discussions on reduction of GHGs.

ATCO Power is actively engaged in this issue. We are participating in the CEA response (which you may have seen); in the Canadian Clean Power Coalition (which is focused on technology advances); in GEMCo (Greenhouse Emissions Management Consortium); and in reporting our GHG emissions (e.g., through the VCR, the Canadian Electric Association -ECR program and in our Annual Environmental Health and Safety Review). Most recently we attended the national consultation session in Calgary on June 14, 2002 and have followed the outcomes in other locations as noted by other CEA members attending the sessions.

ATCO Power is concerned over the potential implications of GHG emissions and is committed to a strategy of managing its emissions and reducing its overall emissions intensity. However, based on what was presented in the national discussion paper and the Calgary session, ATCO Power cannot support the current federal approach. The current discussion paper is short on detail and we feel that the information presented in the materials is lacking sufficient details for most people to make an informed decision.

ATCO Power finds the macro modeling does not effectively address the sectoral or regional implications of the outlined actions/outcomes. It was apparent to ATCO and the other attendees that the true implications at the regional and sectoral level could only be determined by a more detailed modeling approach. Without a detailed analysis of the regional and sectoral effects, it is impossible to understand how the federal government would live up to the principle of no regional inequalities to which it committed.

From our perspective, the more detailed modeling would reveal the significant financial implications to industry in general and the utilities specifically. Undoubtedly access to and cost of capital to industry would be severely

impacted. For investor owned utilities, such as ATCO Power, there is a considerable concern on the impact on the shareholders that have invested in our business. A Canadian focused Kyoto response, as it is apparently being contemplated now, will most certainly adversely impact share value for us and other industries that compete in North American markets.

ATCO Power was encouraged and generally supportive of the perspective contained in the Alberta discussion paper. For example the specific item of extending the response time to beyond the Kyoto period and focusing on intensity targets is a much more realistic balance toward addressing the GHG emissions issue. The longer timeframe for action addresses the realities of the length of time of capital stock turnover and for technology development. The federal discussion paper focus on the Kyoto timeframe does not recognize these factors nor does it address the actions needed beyond 2012.

We have had an opportunity to review various other responses from industry and their associations (e.g., EPCOR, CEA, CAPP, etc.) and find that many of the concerns they have raised are similar to ours. We draw your attention to these comments and recommend that you duly consider them along with the many valuable verbal comments received at the consultation sessions. They will be invaluable in advancing a more detailed plan of action for the fall of 2002. These concerns must be adequately addressed in some meaningful manner, before considering ratification of the Kyoto Accord. We strongly suggest consideration of an alternative, 'made in Canada' approach, that addresses these practical concerns.

The nature of this issue is truly complex. Although most Canadians may appear to support action to reduce GHG emissions, it is likely they would view the issue of Kyoto ratification very differently if they had more complete information on the implications of a ratification decision would have on their personal lives. Of particular importance is an understanding of the magnitude of the rise in costs and fall in their standard of living, as the effect of increased manufacturing costs are passed through to the final products they consume. Understanding the real cost to the consumer and to the Canadian economy is the real challenge for all of us involved in this discussion, and that is far from being defined.

Thank you for the opportunity to provide you with these comments and we look forward to your response to these and the many others that will be provided during the course of this consultation.

Sincerely,

*(original signed & to be delivered)*

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