

Something smells over Alcan deal

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So why did Premier Gordon Campbell back a power deal that would have gouged British Columbians and handed the proceeds to Alcan?

That's one of the tough questions that is going to be asked after the latest twists and turns in the aluminum giant's 58-year dance with provincial governments.

Back in August Campbell took a break from his holidays to celebrate a complex agreement with Alcan.

The corporation said it intended to modernize its Kitimat smelter. The \$1.8-billion project would result in about 550 fewer jobs, but would ensure the plant stayed open for a couple of decades.

As part of the deal B.C. Hydro agreed to buy electricity from Alcan for the next 20 years. Campbell maintained that the power sale was a good deal for British Columbians. But all the parties fought to keep its terms secret.

The bid for secrecy failed. And the details that emerged prompted angry complaints from consumers and companies developing other power projects.

Alcan's deal was wildly generous, they maintained. It handed the company huge profits - in the hundreds of millions of dollars - for no reason. The mega-corporation got the agreement even though the government should have had all the negotiating power.

The government brushed off the concerns.

But it turns out, according to the B.C. Utilities Commission, that the critics were right.

The commission, the watchdog that makes sure consumers are protected, said the deal was fundamentally flawed. B.C. Hydro was agreeing to pay too much for the power, handing Alcan windfall profits. Consumers, individuals and companies would pay unnecessarily high power rates as a result.

The initial ruling supports complaints that this was a sweetheart deal for Alcan.

B.C. Hydro and the government agreed to pay Alcan \$110 million in up-front "incentive payments." It also committed to pay at least \$70 per megawatt/hour for electricity, comparable to the rates in its latest open tender process.

Too much, said the commission.

First, Alcan didn't have to meet all the requirements demanded of the other bidders. And those companies had to construct new plants. Alcan would simply be tapping its existing Kemano power project, which produces some of the cheapest power in B.C. The electricity that B.C. Hydro was buying for \$70 per megawatt/hour costs Alcan \$5 to \$10 to produce.

Alcan would have made something like \$1 billion in profits over the life of the deal. Now things get interesting. Alcan says unless it's allowed to make big profits from selling the power it won't modernize

the smelter. It's not an idle threat; aluminum companies routinely seek and get big concessions from governments in return for investment.

The whole affair will add to fears, especially in Kitimat, that the B.C. government is more interested in making Alcan happy than in protecting the public interest.

The municipality has been in a fierce battle with the government over the Alcan's power sales. Kitimat argues that the 1950 legislation giving the corporation the right to dam the Nechako River and build the Kemano power project was clear. It could only use the electricity for the smelter or other industrial development in the region.

If the deal was enforced, Kitimat argues, Alcan would have to expand the smelter to use the electricity - protecting jobs - or the power ownership would revert to the government.

The Liberal government says the rules have changed and Alcan can do what it likes with the electricity. The corporation could close the smelter and sell all the electricity, the government maintains. But the government hasn't explained when the rules changed, why or who made the decision. Kitimat took the government to B.C. Supreme Court last month to try and make it enforce the 1950 agreement. A decision is expected soon.

There's no way to predict how this is going to be resolved.

But the whole affair is certain to raise more tough questions about whether the government is paying more attention to Alcan's arguments than the public interest.

Footnote: An Alcan executive warned Thursday that the expansion will be scrapped if the company can't sell the power at market rates. But he didn't deal with the question of what would happen to the electricity if the sales deal doesn't go through.

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