

Smelter not just a **Kitimat** issue:

Few realize we are saying goodbye to public resources

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The international aluminum player known as 'Uncle Al' in **Kitimat** - **Alcan** Inc. to the rest of us - has had an illustrious affair with your checkbook for the past 56 years.

If this continues, your regular hydro bill will be \$1,000.

In a small northern coast mountain town, where kids go to school four days a week because we British Columbians cannot afford to pay for the fifth, it is no wonder that each and every **Kitimat** resident will curse as they ponder the prosperous history and envision the grim future.

With a kiss on the cheek from the Socreds in 1950, **Alcan** set up shop in **Kitimat**.

The deal was ripe with goodies for both sides. We would give **Alcan** a river to generate power for their operation and in exchange, **Alcan** would give B.C.'s northern communities in and around **Kitimat** thousands of jobs in a world-class aluminum smelter.

Over the years, **Alcan** has always sold its private power to the B.C. grid, but only to level its reservoir provided aluminum production was at capacity. Given a very strict interpretation of the 1950 Agreement between the Province and **Alcan**, such power sales were closely regulated.

In the early 1990s, **Alcan** entered a more formal power sales agreement with BC Hydro.

This agreement effectively overshadowed the 1950 Agreement.

It extended the power sales right to **Alcan**, allowing the company to sell a 'surplus to its needs until required by **Alcan** for its own industrial purposes.' Such fuzzy wording solidified **Alcan's** post as B.C.'s electricity baron.

The aluminum market had been nasty during the late 1990s. It was impossible for **Alcan** to fulfill the sort of growth it had promised to the province in negotiating the power sales agreement with BC Hydro.

So, when the NDP government squashed **Alcan's** power generation expansion plans, **Alcan** was given an escape route . . .but also grounds to sue. Interestingly, Gordon Campbell and his opposition gave the NDP a pat on the back when the deal had been officially broken.

In the smelter business, the most sought after competitive advantage is cheap electricity. In 1997, amidst a mutual effort to secure the future - and curb a vicious court battle - we promised **Alcan** enough replacement power to double aluminum production in **Kitimat**. Even with the rights to the Nechako watershed in perpetuity, **Alcan** was reluctant to expand.

Three years later, according to **Alcan**, there was not enough water in the watershed to power the plant, so they significantly reduced smelting capacity.

The numbers paint a different picture.

There was enough water in the watershed to smelter at full capacity but there was not enough to profit from surplus electricity sales.

It costs \$5 per megawatt hour for **Alcan** to produce electricity. The B.C Liberals have agreed to buy this power, should **Alcan** wish to sell it, regardless of their operational capacity, at \$71 a megawatt hour.

A 30% return smelting aluminum is a waist of effort if a 900% return can be made selling electricity to a bunch of complacent B.C. residents who were conned into giving away a watershed.

As the B.C. Liberals attempt to guide our province to electricity independence, few realize we are saying goodbye to public resources.

Talk about short-sighted.

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