

ENERGY

POWER GENERATION FACILITIES PROVIDE COMPETITIVE EDGE AND AVENUE FOR GROWTH

Energy costs account for a large—and steadily rising—proportion of operating costs for paper-makers in North America. Abitibi-Consolidated is fortunate in that it is able to **GENERATE A SIGNIFICANT AMOUNT OF ITS POWER REQUIREMENTS** through Company-owned generating capacity. These energy assets represent significant **VALUE-CREATION** potential. The Company continues to focus on becoming more **ENERGY-EFFICIENT**, while devising a strategy to capitalize on the inherent underlying value of its power plants (See “Partnership in Energy Generation”, Page 31).

HIGHLIGHTS

765

MEGAWATTS OF INSTALLED CAPACITY AT 22 HYDROELECTRIC AND COGENERATION FACILITIES PROVIDE COMPETITIVE ADVANTAGE.

6.5%

REDUCTION IN ENERGY INTENSITY PER TONNE OF PAPER PRODUCED BETWEEN 2004 AND 2006*

* From 18.6 GJ to 17.4 GJ per tonne paper

MAKE MORE, USE LESS

Abitibi-Consolidated’s corporate *energy strategy* can essentially be defined as “make more, use less”. Recent initiatives aimed at boosting output from company-owned generating facilities included:

- *Completion of the new 18-MW Besy hydroelectric plant*, supplying low-cost power to the Kénogami and Alma paper mills in Saguenay, Québec.
- *Acquisition of a 100-MW biomass energy generator* in Fort Frances, Ontario.

Continuous-improvement methodologies, including energy “roadmaps” and benchmarking, are key to identifying the best opportunities for high-value energy-improvement projects. The Company closely monitors fuel prices, alternating fuel sources wherever practical to realize *cost savings*. It also uses a variety of other approaches, including hedging, to reduce the risks posed by energy-price fluctuations.

