

October 3, 2006

New bioenergy investment energizes Alberta's agriculture sector

Red Deer... The Alberta government is committing \$239 million over the next five years to strengthen and expand Alberta's bioenergy sector by encouraging manufacturers to bring more bioenergy products to the marketplace.

Doug Horner, Minister of Agriculture, Food and Rural Development said this investment provides a significant opportunity to position Alberta as a leader in producing renewable energy from organic materials. It will also create new markets and new environmentally-friendly product and process opportunities for Alberta's agriculture industry.

"Bioenergy is emerging as the foundation of key value-added biorefining industries across all of North America, and this funding ensures Alberta has the policies and programs in place to take advantage of the exciting opportunities developing in this sector," said Horner. "The development of bioenergy infrastructure within the province will not only add great value to our agriculture industry, it will also contribute to the long-term sustainable growth of Alberta's economy and strengthen our rural communities."

The investment will be used to administer the Renewable Energy Producer Credit program that will help Alberta industry effectively compete with other jurisdictions that provide programs and tax exemptions to distributors who blend biofuels. At a total cost of \$209 million, the four-year program is being established to serve as a catalyst in enabling the introduction of renewable products into the traditional fuels and energy marketplace. The credits will be available to eligible commercial bioenergy products processed in Alberta from April 2007 to March 2011. This program will replace the existing Alberta ethanol road tax exemption policy.

An additional \$30 million, three year commitment will be initiated immediately through a commercialization program supporting technology investment in the province. It will support establishment of the infrastructure required to market and distribute bioenergy products within the existing market for fuel or electrical power. The \$30 million in funding is available through the Energy Innovation Fund. "The development of alternative fuels is a key pillar of Alberta's Integrated Energy Vision," Energy Minister Greg Melchin said. "This is an important investment to further diversify Alberta's vast and diverse energy portfolio."

Both the \$209 million and \$30 million investments are key components of Alberta Agriculture's nine-point bioenergy plan.

The \$200-million Energy Innovation Fund is a provincial initiative that supports Alberta's Integrated Energy Vision: to build on world-class knowledge, expertise and leadership to responsibly develop our vast energy resources for the benefit of current and future generations. The fund was announced in August. Sponsor Ministries are Energy; Agriculture, Food and Rural Development; Environment; Sustainable Resource Development; and Innovation and Science.

Media enquiries may be directed to:

Alberta Ag Media Line
(780) 422-1005

Bob McManus
Alberta Energy Communications
(780) 422-0068

To call toll-free within Alberta dial 310-0000.

October 3, 2006

Alberta's Nine-Point Bioenergy Plan

New Program Initiatives Approved

- 1. Commercialization/Market Development Program** (\$24 million through 2008-09)
 - Develop/expand/strengthen Alberta's biodiesel, biogas and ethanol production capacity in response to market opportunities.
 - Leverage industry funds to focus on research commercialization, technology transfer, new generation co-operatives, capacity building, market development and advocacy for ensuring market acceptance.
 - Feasibility studies, opportunity analysis and product development costs related to concept and technology evaluation, technical assistance, and equipment development.
 - Market research costs related to specific product opportunities, costs related to buyer presentations, product reformulation, and transportation of samples.
 - Bioenergy advocacy and market awareness support.

- 2. Bioenergy Infrastructure Development Grant Program** (\$6 million through 2008-09)
 - Leverage industry/investors/municipal funds to develop and expand the distribution infrastructure to connect Alberta produced ethanol, biodiesel and biogas (methane) to the marketplace.
 - Development and expansion of the distribution infrastructure of biofuel and energy transmission in Alberta.
 - Accommodation of micro-generation interconnections and biogas processing and pipeline infrastructure.
 - Support rural development regional distribution priorities and facilitate the application of new technology in biofuel and energy transmission and distribution infrastructure particularly in rural areas.

- 3. Renewable Energy Producer Credit Program** (\$209 million from 2007-2011)
 - A program to encourage production and incorporation of bioenergy products (ethanol, biodiesel, biogas-electrical) within the marketplace.
 - Biofuel producer credits will be provided to Alberta manufacturers and reviewed annually against key competitive North American jurisdictions. The minimum credit will be equal to the Alberta Fuel Tax, which is currently at nine cents per litre.
 - Biogas producer power credits will be implemented and the credit will apply to Alberta commercial production and reviewed annually.
 - Annual program budget will not exceed the \$209 million over the life of the program; therefore production eligible for program support may be capped based on annual manufacturing estimates.
 - Program will replace the existing Alberta ethanol fuel tax exemption of nine cents per litre.

Proposed Policy Initiatives

4. Energy Microgeneration Standards and Policy Revisions

- Clearly define the regulatory protocols required to establish processing plants like biogas digesters and biodiesel processing facilities.
- Through a cross-ministry approach, ensure a timely and transparent review of investment applications better meeting the needs of industry.

5. Bio-industrial network development.

- Facilitate the demonstration and integration of bioenergy processing with existing manufacturing processors for increased regional development.
- Demonstrate “cluster” efficiency - through the strategic integration and clustering of key processors provide a significant improvement in competitiveness and reduced environmental impact.

6. Taxation and Investment Instruments for the Bioenergy Sector

- Work with Federal counterparts to investigate options to improve capital flow to bioenergy industry.

7. National Renewable Fuel Standard and Energy Market Targets

- Align to a five per cent national renewable fuels standard by 2010 to create market stability that will benefit existing renewable fuel industries and establish a future market for newly established fuel technologies.
- Within the overall renewable fuels mandated target, support ethanol and biodiesel mandates should be specifically designated to ensure the emerging biodiesel industry has an opportunity to capture some of the benefits of a renewable fuels mandate.

8. Specified Risk Material (SRM) Disposal Protocol

- Investigate and establish regulatory protocol with the federal government in the safe disposal of SRMs through appropriate bioenergy technology adaptation.

9. Investment Support through Existing Programs that align with Bioenergy Development

- Agriculture Financial Services Corporation (AFSC) lending programs.
- New Generation Cooperative Initiatives.
- Industry Development Research Funds.
- AVAC commercialization funding.
- Municipal Industrial Wastewater Infrastructure for Agricultural Processing Program.
- Rural Development Project Fund.

- 30 -

For further information, contact:

Alberta Ag Media Line
(780) 422-1005

Dial 310-0000 for toll-free access outside Edmonton