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## Nexen shuts plant, bolts Ontario

### Calgary company blames skyrocketing electricity costs

**BY TIM LAI**

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Ontario's electricity crunch has driven a chemical plant out of the province and raised the spectre that other power-hungry industrial consumers will leave as well.

**Nexen Inc.**, the large Calgary-based energy company, said yesterday that Ontario's high electricity prices made operating its Amherstburg plant too costly. And with no relief in sight, it is shutting down.

The move is considered a warning shot for the Ontario government as it struggles with the rising cost for power and diminishing supply -- Queen's Park has vowed to shut down coal-fired plants and is wrestling with problems at its nuclear facilities. And in the midst of a major heat wave that has electrical producers urging consumers to aggressively cut consumption, Nexen's decision has highlighted a problem that industrial users have warned of numerous times: High power prices could drive investment away from the province.

"It is a concern for many industries and many of them are struggling," said Mike Kuriychuk, chairman of the Association of Major Power Consumers in Ontario. He estimates that power prices will rise another 30 per cent.

"Electricity prices in Ontario are not competitive at present and they're getting worse as they escalate," he said.

Rates in British Columbia and Quebec are more than 20 per cent lower, according to a study of provincial prices that AMPCO presented to an Ontario government committee in August, 2004. Manitoba registered the lowest, at more than 50 per cent below average Ontario costs.

Calls to the province's Minister of Energy, Dwight Duncan, were not returned.

AMPCO's Mr. Kuriychuk said he is noticing companies shifting parts of their operations to facilities where energy costs are lower.

For Nexen, the decision to leave Ontario means putting 20 people out of work at the small plant near Windsor. The plant makes sodium chlorate, which is the key bleaching agent for paper and pulp production.

"The plant has been losing money for some months," said Keith McLeod, vice-president of manufacturing for Nexen Chemicals. "You can handle that for a while if you think there's an end in sight. But there is just not an end in sight here, so we had to make a tough decision, but one that we had no choice in"

Built in 1983, the plant, which has the capacity to produce 54,000 tonnes annually, has been operating only at about 30 per cent of full output for the past several months. At full production, the plant uses 36 megawatts, but Nexen cut electricity consumption to 10 MW.

"It was a situation where the more you made, the more you lost, so we were trying to run it at a minimum rate," said Mr. McLeod.

"Even if it didn't get worse, for a company where power is part of our cost, there's not much we can do."

Mr. McLeod said Nexen will continue to serve its customers through plants in Nanaimo, B.C., Bruderheim, Alta., Brandon, Man., and Beauharnois, Que. The Brandon facility is the world's largest sodium chlorate plant, producing 260,000 tonnes per year, and has one of the lowest cost structures in the industry.

A spokeswoman in the Ministry of Economic Development reiterated that Ontario is a competitive marketplace and that the government has a plan for fair and sustainable energy pricing, but offered few details.

### **Power play**

The cost of electricity varies considerably across the country, depending on when you buy. Here are sample costs per megawatt hour presented to an Ontario government committee in August, 2004.

Alberta	\$75.89
Ontario	\$63.99
Quebec	\$50.13
B.C.	\$49.10
Manitoba	\$29.86

*SOURCE: ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO*

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