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Mill mulls how best to spend \$28.1 million; Drop head here

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The owners of the Northern Pulp mill in Pictou County will decide later this year how it will use \$28.1 million in federal money to improve its energy efficiency, company CEO Wayne Gosse said Thursday.

"We need to be competitive and I think this will go a long way towards achieving long-term competitiveness," he said in telephone interview.

Last Friday, the federal government announced Northern Pulp was one of 24 companies that qualified for funding under a \$1-billion program to help Canada's struggling pulp and paper industry, an industry that is facing stiff competition from U.S. mills that are becoming energy efficient thanks to government subsidies they receive for using alternative fuels.

"We are still struggling in a tough market and any type of capital infusion like this is extremely helpful," said Mr. Gosse.

"At the end of the day we need to improve our cost structure and create new revenue streams by reducing energy consumption or improving environmental performance."

He said the funding will strengthen the mill's position against its competitors.

The funding is a response by the Harper government to an estimated \$6 billion in subsidies and tax credits the American government offers pulp mills that use a pulp byproduct known as black liquor, considered to be an alternative fuel, to fire their boilers.

Mr. Gosse said the company is reviewing and studying several options for the federal funding "very aggressively."

The mill, formerly owned by the Neenah Paper Co., currently uses an older model power boiler and steam turbine to generate electricity.

One option under consideration by Northern Pulp would be to use the federal money to purchase a new boiler and steam turbine that would cost between \$120 million and \$150 million, he said.

"That's a big idea," he said. "The truth is this is pretty good seed money for a big project, so that definitely has some appeal for us."

A second scenario would be to upgrade the mill's boiler and acquire a second steam turbine, he said. Other options include upgrades to equipment inside the mill, such as the bark handling equipment.

The proposed projects must be submitted to the government this fall and firms have until March 31, 2012, to spend the money.

In 2009, Northern Pulp will use almost \$6 million worth of biomass (218,000 tonnes of wood waste), burn \$9.4 million of Bunker C oil and purchases about \$900,000 worth of electricity from Nova Scotia Power to operate the mill, Mr. Gosse said.

"We produce a lot of green energy, so the notion is to produce even more green energy," he said. "We want to use these funds as effectively as possible so it will ensure our long-term viability. We need to study the projects very carefully and then we will pull the trigger."

While Nova Scotia has two other pulp and paper mills, only Northern Pulp produces the black liquor required to qualifying for the funding.

The Northern Pulp mill produces large white sheets that look like sheets of cardboard. These are then used to make paper towels and facial tissues by other companies.

It generates more than \$200 million in annual economic activity.

Through its operations, the company supplies about 40 per cent of the wood required by various sawmills located in central Nova Scotia and buys as much as 90 per cent of their residual bark and chips.()

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