



Marko Pencak
markop@gmpsecurities.com
(416) 943-6677

Lisa Brown
lisab@gmpsecurities.com
(416) 943-6631

At the Opening
January 22, 2007

Alternative Energy Sector Note

Canadian Government announces ecoENERGY program

- Pledges \$1.48 billion over 10 years
- Available for renewable power projects based on wind, small hydro, biomass, solar photovoltaic, geothermal, tidal and wave technologies
- Provides \$10/MWh of electricity generated over a ten year period, for projects to be constructed over the next four years
- Will benefit BLX and KHD specifically; supportive for ATA, CMH⁷ and XTX⁷ as well

LONG AWAITED REPLACEMENT FOR WPPI AND RPPI PROGRAMS ANNOUNCED

On Friday January 19th, the Canadian Federal Government announced its ecoENERGY initiative. The Conservatives have pledged \$1.48 billion over the next 10 years to support renewable power projects.

This is a long awaited development. Prior to the last federal election, the Liberal party's Budget had provided \$200 million over five years and a total of \$920 million over 15 years for the expansion of wind projects under the Wind Power Production Incentive (WPPI). The WPPI funding had been awaiting Treasury Board approval when the Conservatives won their minority government, and the program was on hold until the Conservative put forward their own version.

Additionally, the Renewable Power Production Incentive (RPPI) was also in the 2005 Budget. RPPI was created to encourage the installation of up to 1500 MW of new renewable energy electricity generating capacity other than wind. \$97 million had been allocated in the budget over the next five years and a total of \$886 million over 15 years. This program was also awaiting Treasury Board approval.

Thus, while the ecoENERGY program provides less total funding, \$1.4B vs \$1.8B for WPPI and RPPI combined, and is over a shorter time frame (10 years vs 15), in our view it provides a positive boost to the renewable power industry in that uncertainty relating to the lack of formal policy has been alleviated.

Broad array of technologies can benefit

The funding will be made available for renewable power projects based on wind, small hydro, biomass, solar photovoltaic, geothermal, tidal and wave technologies. The funding will be provided to projects constructed over the next four years and provides \$10/MWh of electricity generated over a ten-year period.



Marko Pencak
markop@gmpsecurities.com
(416) 943-6677

Lisa Brown
lisab@gmpsecurities.com
(416) 943-6631

WILL BENEFIT BLX AND KHD SPECIFICALLY; SUPPORTIVE FOR ATA, CMH AND XTX AS WELL

We believe that each company in our Alternative Energy coverage will benefit from this initiative. Both Boralex (BLX-T, Buy) and Canadian Hydro Developers (KHD-T, Buy) are expected to benefit in a significant fashion. We believe that both companies will be submitting bids to the upcoming calls for tender by provincial utilities in Quebec and Manitoba. The availability of the federal funding enhances project economics and will be factored into the bids.

We believe that the other companies in our coverage will benefit as well, although perhaps in not as significant a fashion. ATS Automation Tooling System's (ATA-T, Buy) solar division Photowatt will benefit for potential projects, but the company's market presence in Canada is currently insignificant, and therefore, we do not expect any material impact. Carmanah Technologies (CMH-T, Buy) should see a boost in demand for their solar power systems division given its position as Canada's largest PV systems integrator. Additionally Xantrex Technologies (XTX-T, Hold) should benefit as increases in demand for renewable power systems should provide a positive demand boost for the company's inverters which are integrated into renewable power systems.



Marko Pencak
markop@gmpsecurities.com
(416) 943-6677

Lisa Brown
lisab@gmpsecurities.com
(416) 943-6631

¹ GMP Securities L.P. has, within the previous 12 months, provided paid investment banking services or acted as underwriter to the issuer.

² GMP Securities L.P. is a market maker for the securities of the issuer.

³ non-voting

⁴ subordinate-voting

⁵ restricted-voting

⁶ multiple-voting

⁷ The analyst who prepared this report has viewed the material operations of this issuer.

⁸ The analyst who prepared this research report owns this issuer's securities.

⁹ limited voting

¹⁰ GMP Securities L.P. owns 1% or more of this issuer's securities.

The information contained in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does GMP Securities L.P. ("GMP") assume any responsibility or liability whatsoever. Information on which this report is based is available upon request. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. GMP and/or affiliated companies or persons may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivative instruments thereon, and may, as principal or agent, buy and sell such products. Griffiths McBurney Corp., an affiliate of GMP, accepts responsibility for the contents of this research subject to the foregoing. U.S. clients wishing to effect transactions in any security referred to herein should do so through Griffiths McBurney Corp. GMP will provide upon request a statement of its financial condition and a list of the names of its directors and senior officers. © GMP. All rights reserved. Reproduction in whole or in part without permission is prohibited. 145 King Street West, Suite 300 Toronto, Ontario M5H 1J8 Tel: (416) 367-8600; Fax: (416) 943-6134.

Each research analyst and associate research analyst who authored this document and whose name appears herein certifies that (1) the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed herein that are within their coverage universe and (2) no part of their compensation was, is or will be, directly or indirectly, related to the provision of specific recommendations or views expressed herein.

GMP Analysts are compensated competitively based on several criteria, including performance assessment criteria based on quality of research. The Analyst compensation pool is comprised of several revenue sources, including, sales and trading and investment banking.

GMP policies do not allow the issuer to pay any expenses associated with a visit to its material operations by the Analyst.

GMP Securities L.P. prohibits any director, officer, employee or Canadian agent of GMP from holding any office in publicly traded companies or any office in private companies in the financial services industry.

All relevant disclosures required by Policy 11 may be obtained by calling your Investment Advisor. GMP's recommendation statistics and research dissemination policies can be obtained at www.gmpsecurities.com or by calling your investment advisor.

The GMP research recommendation structure consists of the following categories:

FOCUS BUY. Small cap stocks (defined as stocks with less than \$500 million market capitalization) in this category have a total return potential (including dividends payable) of greater than 25% and large cap stocks a greater than 20% total return potential, as well as superior qualitative and timing characteristics.

BUY. These stocks will have 15% or greater (small cap) or 10% or greater (large cap) total return potential.

HOLD. Small cap stocks ranked Hold will have a total return potential of 0% to 15%; large cap stocks ranked Hold will have a total return potential of 0 to 10%.

REDUCE. Companies ranked Reduce have a negative potential total return.

FOCUS REDUCE. Companies ranked Focus Reduce have a significant negative potential total return and materially compromised qualitative and timing characteristics.

Note: Analysts have discretion within 500 basis points of the upper and lower limit of each rating to maintain the recommendation.