

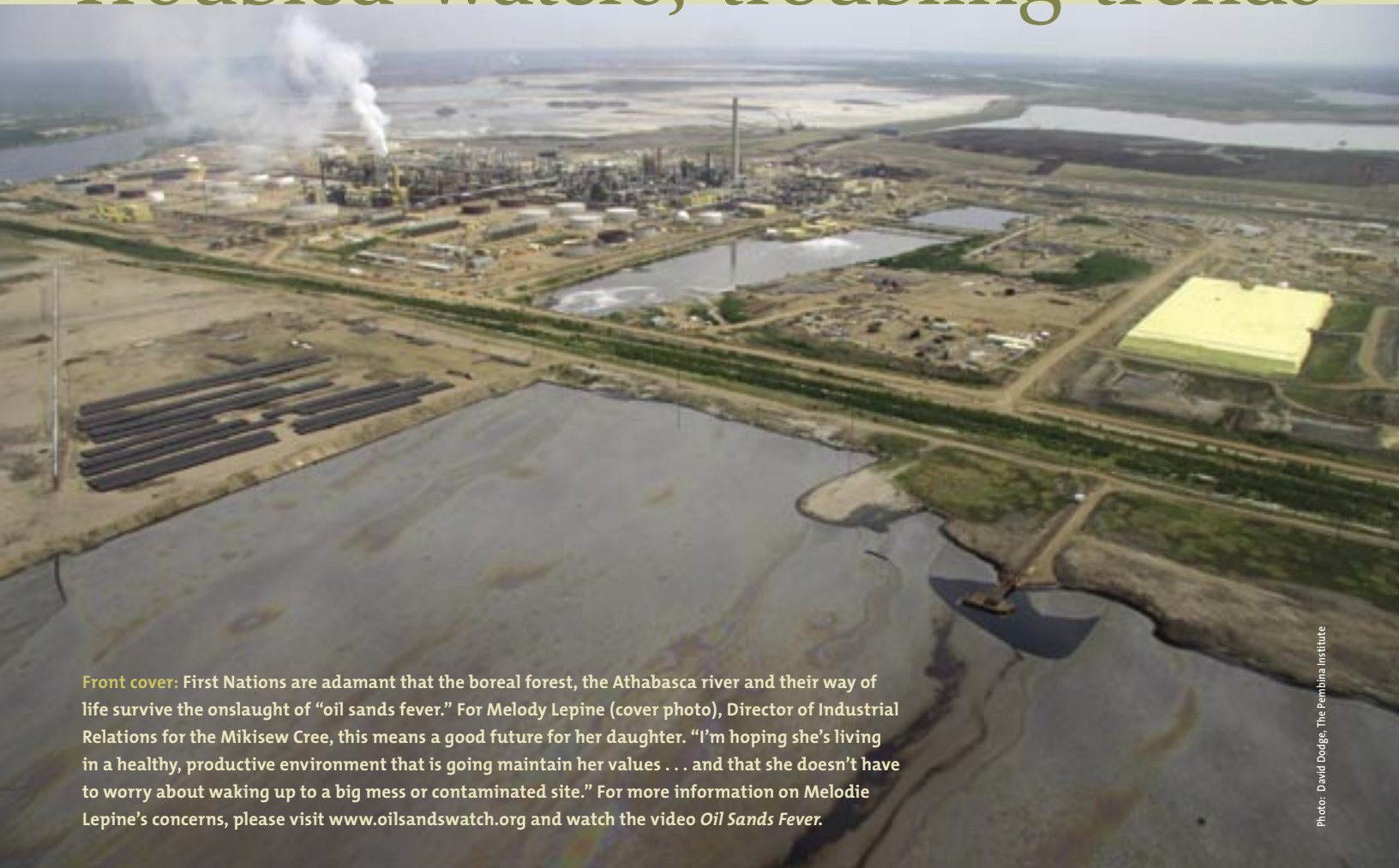
clean air • clean water • a secure future

sustainable energy solutions



ANNUAL REPORT 2006

Troubled waters, troubling trends



Front cover: First Nations are adamant that the boreal forest, the Athabasca river and their way of life survive the onslaught of “oil sands fever.” For Melodie Lepine (cover photo), Director of Industrial Relations for the Mikisew Cree, this means a good future for her daughter. “I’m hoping she’s living in a healthy, productive environment that is going maintain her values . . . and that she doesn’t have to worry about waking up to a big mess or contaminated site.” For more information on Melodie Lepine’s concerns, please visit www.oilsandswatch.org and watch the video *Oil Sands Fever*.

Photo: David Dodge, The Pembina Institute

The oil industry in Alberta has a great thirst for water. Oil sands and conventional oil production place considerable demand on water resources. Production of oil sands reserves is expected to triple by 2020 creating huge new demands for water.

The trends are troubling, and Alberta will soon have to decide which is more important: water or oil.

In October 1982, Canada’s largest industrial accident — the Lodgepole sour gas blowout near Drayton Valley, Alberta — inspired a small group of local residents to press for stronger safety standards in the oil and gas industry. This group went on to found the Pembina Institute in 1985.

Today, the Pembina Institute is a national not-for-profit organization working to shift our society away from a dependency on conventional fossil fuels to a more sustainable energy future that uses the vast energy potential of the sun, wind, earth and water.

We envision a world in which our immediate and future

needs are met in a manner that protects the earth’s living systems; ensures clean air, land and water; prevents dangerous climate change; and provides for a safe and just global community.

Our role within this vision is to advance sustainable energy solutions through innovative research, education, consulting and advocacy.

Our multidisciplinary team of staff and volunteers work collaboratively with youth, communities, corporations and government to find practical solutions to environmental challenges related to the way we produce and consume energy.

Creating sustainable energy solutions

Some highlights of progress from 2006



GreenLearning

Engaging today's youth in creating a sustainable future

Pembina restructured its education programs, branding them GreenLearning™ and positioning GreenLearning to become a leading national energy education program. More on pages 6 and 7.



Sustainable Communities

Supporting community development in Canada and internationally

Pembina worked others to ensure that Ontario's smart growth policies were actually translated into reality in municipal plans and developments. More on pages 8 and 9.



Pembina Corporate Consulting

Sustainable energy solutions for leaders

Pembina brought together representatives of industry and Canadian environmental non-governmental organizations for a discussion on effective corporate-ENGO relationships. More on pages 10 and 11.



Energy Watch

Minimizing the impacts of energy developments

Our research provided the first comprehensive overview on the use of water for the recovery of oil and bitumen in Alberta's oil sands. More on pages 12 and 13.



Green Policy Solutions

Changing the way governments approach environmental challenges

Climate change was one of the most contested political issues in 2006, and Pembina was influential in turning it into a priority item for the federal government. More on pages 14 and 15.

Sustainable futures by intention

A sustainable future won't happen unless there is genuine intention on our part. The many different people of the Pembina Institute realize this intention through a solutions-focused approach to a sustainable energy future.

The Institute's work in research, education, consulting and advocacy is based on protecting the earth's integrated living systems. Such an ambitious enterprise requires a dedicated staff and board, and cooperation with many stakeholders.

The Pembina Board of Directors is extraordinarily proud of our dedicated and passionate staff and their creative initiative, collaborative spirit, overall competence and unflagging integrity. Their collective talent

has been recognized externally in many ways, most recently with an Emerald Award for Environmental Excellence, received for the innovative GreenLearning education program on behalf of the Pembina Foundation for Environmental Research and Education in 2006.

I am also proud of the work of our volunteer board whose enthusiastic commitment and diverse knowledge and expertise support the vision and mission of the Pembina Institute. I would like to thank Past President of the Board, Grace Gruber, for her leadership and insight over a long-standing association with Pembina and Elizabeth Dowdeswell who stepped down from the board in 2006.



Photo: Cervais Goodman

Janice McDougall is the President of the Pembina Institute Board of Directors and is a partner in Goodman, McDougall & Associates Ltd., a human resources consulting firm.

Thanks to all of you for a tremendous year and for your commitment to the work to be done.

A handwritten signature in blue ink that reads "Janice".

Janice McDougall, Board President



Photo: David Dodge, The Pembina Institute

Marlo Reynolds is the Executive Director of the Pembina Institute.

In 2006, the 50+ staff of the Pembina Institute woke up every morning, asked themselves, "What can we do today to help solve some of the enormous challenges the world faces?" and then got busy finding and delivering some answers. In fact, all over the world people woke up, asked the same question and got to work.

Although many solutions begin

Building on momentum

at home, they certainly don't stop there. We need to work for change in our workplaces and our communities. And we have to keep on delivering the message to our governments that we need action on climate change. In early 2006, the environment was not a priority concern for the new administration; by the end of the year it was the top political issue. Likewise all major polls indicated that the environment was the first and foremost concern for Canadians by the end of 2006. Now we must build on this momentum and translate concern into action.

The Pembina Institute focused its efforts last year on providing research and solutions for the public, industry and government. Our annual report

highlights some of the significant achievements we believe contributed to making environmental issues paramount in the political arena and helped inspire positive change.

Please tell us your stories on how you are taking action to address the major challenges we face. Together we can find solutions that will improve our environmental performance, help us regain international recognition for addressing greenhouse gas pollution and ensure that we are competitive in the rapidly growing global renewable energy industry.

A handwritten signature in blue ink that reads "Marlo Reynolds".

Sincerely,
Marlo Reynolds, PhD

Outcomes & objectives

Our efforts are specifically aimed at achieving four long-term outcomes:

- A continual shift in the Canadian corporate sector toward sustainable energy production and consumption.
- Implementation by Canadian federal and provincial/territorial governments of policies and programs that result in sustainable energy production and consumption.
- Empowerment of today's youth with the skills, knowledge and attitudes to accelerate the shift towards sustainable energy production and consumption.
- An increased shift by Canadian communities and developing countries toward sustainable energy production and consumption.

To achieve these long-term outcomes, we seek to

- minimize negative environmental and human-health impacts from conventional energy;
- maximize energy conservation and efficiency;
- maximize low-impact renewable energy; and
- minimize greenhouse gas emissions.

Our philosophy

The Pembina Institute incorporates the principles of sustainability in our own policies and practices by

Collaboration We encourage collaboration across program areas and among staff, as well as through partnerships with other stakeholders.

Participatory decision making We practice this by applying a consensual decision-making model and encouraging all staff to participate in major organizational decisions.

Equal opportunity We are an equal opportunity employer, encouraging applicants from all ethnicities, gender orientations and spiritual beliefs to join our team.

Diversity We invite input from a range of external perspectives and by proposing sustainability solutions that respond to diverse interests.

Work/life balance We regularly discuss personal sustainability and support each other through tough times. We also provide a high level of flexibility for staff in where they choose to work, the hours they keep and when they take leave.



Transparency Our decision-making practices are transparent, enabling staff and partners to understand how and why decisions are made.

Balanced budgeting We embrace balanced budgeting as a principle of sustainability by not taking on significant financial debt or risk. Our operational facilities are modest, allowing us to concentrate our resources on program activities.

Zero-footprint Pembina strives to achieve the zero-footprint principle by teleconferencing, purchasing green power, and promoting car-pooling and alternative transportation.

Long-term thinking Among other activities, Pembina uses scenario-planning exercises to conceive the future and plan our activities for maximum effectiveness.

Laughter We promote a positive attitude by regularly socializing, sharing humour and enjoying the outdoors together.



Engaging today's youth in creating a sustainable future

In 2006, Pembina restructured its education programs, branding them GreenLearning™ and positioning GreenLearning to become a leading national energy education program and framework.



greenlearning.ca

GreenLearning is the flagship education program of the Pembina Foundation for Environmental Research and Education, developed and delivered by the Pembina Institute's education team. GreenLearning is designed to inspire, engage and empower today's young people.

Going National

In 2006 and as a first step to becoming a truly national program, GreenLearning expanded from an Alberta-only program into Ontario and British Columbia. The GreenLearning team has built on its extensive network of teachers and education partners. We work closely with teachers and curriculum consultants (school boards) to develop new education resources thereby grounding our work in classroom realities.

Integrating Environmental Education into the School Curriculum

Pembina built a solid base of regional and national partners in 2006. This network of strategic partners is collaboratively changing school curriculum and school operations. In 2006, we worked with Ontario EcoSchools, Science World and GreenStreet and were involved in the establishment of the Alberta Council for Environmental Education (to name a few). We also helped plan events to further sustainable development education in conjunction with the United Nations Decade of Education for Sustainable Development.

EnerAction — The Power of Knowledge Coupled with Action

In 2006, Pembina staff working closely with teachers in Ontario and British Columbia conceived, designed and began work on EnerAction. Before commencing, we evaluated a similar program we had pioneered in Alberta so we could improve on



eCard by Amy Z.
Henry Kelsey Public School
Teacher: Ms. J. McDonald
eCards is a new and engaging
e-learning experience.



this early version as we developed EnerAction into a winning program. Eneraction is a new program that helps students learn about energy sources, energy impacts, and energy options and choices. Students examine energy use in their lives, devise an energy conservation campaign from switching off lights to walking to school, and measure the results in energy savings and real reductions in greenhouse gas emissions. Pilot testing in schools in British Columbia and Ontario is slated for the spring of 2007, with implementation scheduled for the fall of 2007.

eCards for Learning

eCards is a new and engaging e-learning experience. Students examine renewable and non-renewable forms of energy, create an eCard and send it to a friend, the premier or their principal. In July 2006, Pembina assembled a stellar cast of leading curriculum designers, teachers and its education group to develop the eCards concept. Initial development took place in the fall, with preliminary testing in several schools in November. Positive results showed us we were on track. Further

testing is scheduled for the spring of 2007, with a full launch planned for the fall of 2007. eCards was initially designed for Ontario; as we roll out eCards in 2007, we plan to expand its reach to other provinces.

Re-Energy.ca Success

This hands-on program for learning about renewable energy technologies has proven a great success. In 2006, the Solar Oven Design Challenge was launched; it demonstrates how the sun's energy can provide enough heat to bake chocolate chip cookies or make a stew. Visitors to the website downloaded the model solar oven, wind turbine and hydro-electric construction plans over 800,000 times.

Fostering Youth Leadership

The Pembina Institute worked with a Master's student at Royal Roads University to better understand youth perspectives on the development of a Youth Leadership Education Program. We then refined the program format and collaborated with a partner in British Columbia to map out an experiential, community-oriented program. We anticipate the launch of a pilot program in 2008.

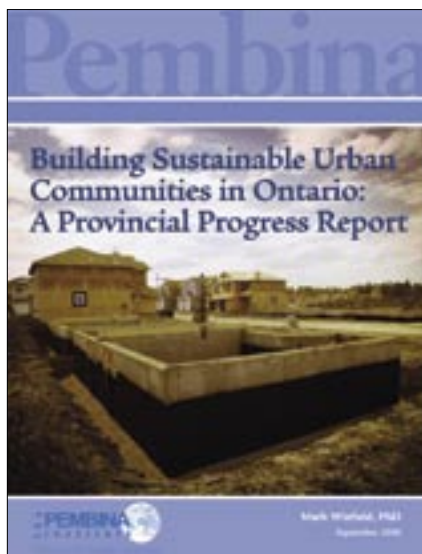


Photo: Margie Holland

Students discover the sun's energy can provide enough heat to bake chocolate chip cookies or make a stew.

Supporting community development in Canada and internationally

We support ongoing community development efforts in Canada and around the world through the introduction of sustainable community policies and practices, focusing on the impact of energy on communities.



Building Sustainable Urban Communities in Ontario highlights the problem of expanding Ontario's highway network in the Golden Horseshoe.

Smart Planning

In October 2006, Pembina published *Building Sustainable Urban Communities in Ontario: A Provincial Progress Report* — the fifth in our series of reports on the implementation of smart growth policy. In this review, we highlighted the problem of continued investments in the outwards expansion of the highway network in the Golden Horseshoe — a region that is a focal point for population growth and urban sprawl — and how these decisions are undermining the provincial government's goal of containing urban sprawl and reducing automobile dependency for transportation in the region.

Putting Plans into Action

Pembina worked with the Ontario Smart Growth Network, the Greenbelt Alliance and with others to make sure that the smart growth policies

contained in the Greenbelt and Growth Plan and the revised Planning Act were actually translated into reality in municipal plans and developments.

Planning for Low-Emissions Cities

Pembina worked to ensure that action on transportation and urban form — key drivers of rising greenhouse gas pollution in Ontario — will be part of the provincial government's climate change strategy expected to be announced early in 2007.

First Nations Taking Action Tackling Climate Change

In 2006, Pembina completed 12 First Nation's energy consumption baseline studies in Saskatchewan, Manitoba and Ontario. The Institute has been doing energy baseline studies as part of the Aboriginal and Northern



Pembina has been doing energy baseline studies since 2003. We work with communities across Canada on energy and sustainability issues.



The Ka:'yu:'k't'h'/Che:k:tles7et'h' First Nations are exploring ways to produce local renewable power for export to the grid.

Community Action Plan since 2003. These studies help communities understand where they are using energy, the economic and environmental cost of this consumption, and what alternatives they might have. Communities that have participated in the baselines have gone on to implement new housing efficiency policies, solar air heating systems, ground source heat pumps and community building efficiency retrofits; many of the communities are in various stages of renewable electricity projects including wind monitoring stations, installed by the Pembina Institute, in northern Manitoba.

The Ka:'yu:'k't'h'/Che:k:tles7et'h' Shut Down Diesel

The Ka:'yu:'k't'h'/Che:k:tles7et'h' First Nations have been working with the Sustainable Communities Team since 2003 to explore options to eliminate the need for diesel-powered electricity in their community. The Pembina Institute has coordinated

wind and small hydro monitoring programs and has assisted in negotiations to assist in a power line extension into the community. A power line arrived in Kyuquot in 2006, which meant the diesel generators could be shut off, and the First Nations are now exploring ways to produce local renewable power for export to the British Columbia grid.

A Vision for Calgary

Pembina engaged with both the City of Calgary and the Calgary Regional Partnership to articulate visions of a sustainable city and a sustainable region. This work is part of a larger initiative to develop relationships within the region and to create the capacity to transform vision into reality. The next phase of this work is to develop a website dedicated to Calgary's built environment that explores issues from affordable housing to urban sprawl.

Dawson Creek Wins British Columbia's Energy Aware Award

In 2006, Pembina continued to support the City of Dawson Creek in its climate change sustainability planning initiatives. After completing a baseline picture of greenhouse gas emissions, the City adopted a strategy for solar on City buildings, implemented a green vehicles policy, and initiated a process to improve efficiency and install solar systems in new housing. The launch of a broader sustainability planning process, planned for 2007, will also provide an overall vision and framework to continue expanding the climate change initiatives. Dawson Creek received British Columbia's 2006 Energy Aware Award because of these efforts.

Poverty Reduction Through Clean and Reliable Energy

In 2006, Pembina completed work on its successful Clean Development Mechanism Small Project Facility in Nigeria. Our southern partners in Nigeria, India and Kenya were key to the success of this project; together we worked to help local developers of small, sustainable projects access carbon financing. In addition, Pembina has continued to help develop the knowledge and capacity in the international development community to address the global challenges associated with climate change and to engage in climate change dialogue within Canada.

Sustainable energy solutions for leaders

Pembina Corporate Consulting Services supports companies of all sizes with sustainability and climate-change related strategy development and implementation advice. Through this consulting, we help build internal capacity and establish practical performance measures.

Thought Leader Forum on Cross-Sector Collaboration

With its resource-dependent economy, tight labour supply and increasingly knowledgeable civil society, Canada must be a model jurisdiction for effective cross-sector collaboration. In November 2006, we brought together 30 representatives of industry and 25 Canadian environmental non-governmental organizations (ENGO) for a discussion on effective corporate-ENGO relationships. The open and honest dialogue of the forum allowed the representatives to discuss their experiences, both positive and negative, identify the underlying conditions that would make collaboration successful and explore new ideas for ENGO-industry collaboration that meet these essential conditions. Our Thought Leader Forum has since spawned a Pembina-led research project into collaborative best practices in Canada's natural resource sector, with companies, non-governmental organizations and academia as partners.

Understanding Carbon Offsets

We believe it important that companies make significant commitments to reduce absolute greenhouse gas emissions (GHG) and then achieve them. A legitimate component of a robust GHG management strategy is to offset remaining emissions that a company cannot reduce on its own. In an under-regulated and young market, however, making the wrong offsets choice can ultimately harm reputations rather than improve them. Pembina continues to stay up-to-date with carbon offsets and is working to ensure the emerging domestic offsets system has solid environmental integrity.

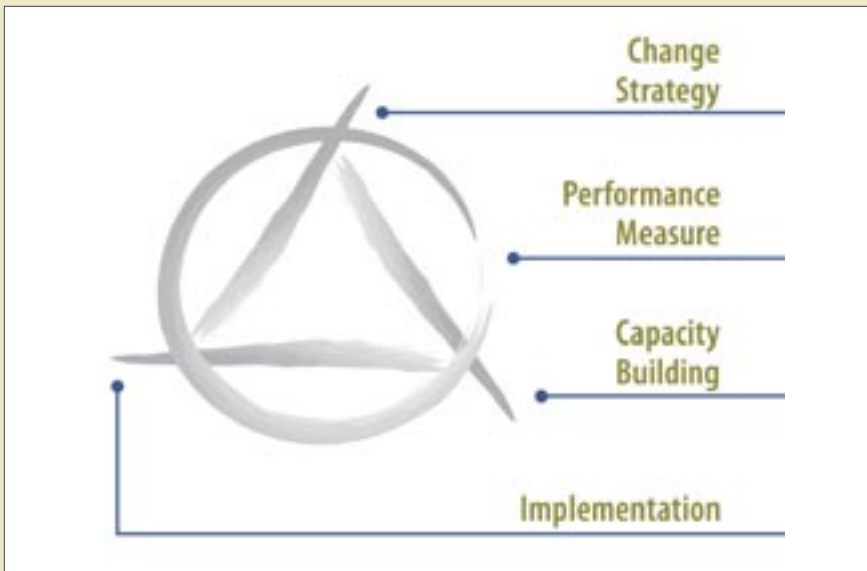
In late 2006, Pembina helped Catalyst Paper, a paper product manufacturer, to understand the different type of carbon offset products available in Canada, and the risks and benefits. Catalyst Paper has committed to reducing its emissions by 70 percent over 1990 levels by 2010 and is on track to meet the target.



Photo: Alison Jamison, The Pembina Institute

“Global Energy Services has gained significant value from several Pembina Corporate Consultancy services: eco-technology assessment, sustainability training and carbon offset consultancy.”

Farhan Farshori, Vice President, Corporate Development, Global Energy Services



Through purchasing offsets, Catalyst will further reduce its carbon footprint beyond the internal reductions it has already made to date.

Developing Sustainability Strategies

Suncor Energy has committed to creating a culture of environmental excellence at every level of the company.

Our researchers provided Suncor with an understanding of the policies, programs and paths that other corporations have implemented as they work toward implementing sustainability. In particular, we highlighted the practices and systems that corporations facing internal and external challenges similar to Suncor found essential in creating organizational cultures that support sustainable development.

If Canada is to become a global sustainable energy leader, we must create greater domestic understanding of the principles and applications

of sustainability. In 2006, Pembina Corporate Consulting Services helped Environment Canada evaluate how its department can best foster this greater understanding across Canada's public, private and non-governmental sectors. Specifically, our researchers built an inventory of existing sustainability education and training programs, conducted market needs assessments, and investigated possible models of collaboration between parties involved in education and training delivery.

Building Internal Capacity — Life-Cycle Value Assessment (LCVA)

Our team continued its visionary work by helping companies integrate life-cycle thinking and the triple-bottom-line into their decision making processes. With Pembina assistance, both Petro-Canada and Suncor Energy have built strong internal capacity in the Pembina's LCVA methodology and

have realized both cost reductions and improved environmental and social performance as a result.

Corporate Sustainability Reporting

Transparency of corporate sustainability performance allows companies to build positive relationships with their stakeholders and decrease risk. Our team supported the development of the annual sustainability reports at EnCana, Nexen and Shell Canada. Our approach ranged from providing direct feedback on performance and communications to facilitating stakeholder review panels during the development of the report. Our work helped all three companies to better understand stakeholder expectations of their performances and strategies for meeting those expectations.

Technology Evaluation

Pembina is increasingly engaged in tracking and evaluating eco-efficiency technology development and deployment in Alberta and across the country.

Pembina Corporate Consulting Services evaluated the life cycle impacts of submersible hydraulic pumps and water treatment technologies for the oilfield service company Global Energy, the life cycle GHG reduction opportunity and other environmental benefits associated with RinkPro's Enviro-Liquid Cooler technology, and best practice approaches to oil and gas development in the boreal region for CH2M HILL and the Canadian Boreal Initiative.

Minimizing the impacts of energy developments

We encourage energy developers to use the best environmental practices possible and collaborate with policy makers to improve regulations and standards. We also help build the capacity of people directly affected by energy developments by delivering relevant information resources.



Courtesy of Ontario Power Generation

Our report *Nuclear Power in Canada* concludes that relying on nuclear power as a response to climate change would simply replace one long-term problem with a series of others.



Photo: Mario Raymond, The Pembina Institute

Oil Sands

Alerting Ottawa and Washington, D.C. to Oil Sands Fever

When the oil sands industry went to Washington, D.C. to promote the oil sands, Pembina's oil sands experts were there to ensure the environmental story was told. In Ottawa, Pembina testified about the environmental impacts of oil sands before the House of Commons Standing Committee on Natural Resources. Our testimony was reflected in the Committee's report, *The Oil Sands: Towards Sustainable Development*, which included endorsement of Pembina's target of carbon neutral oil sands development by 2020.

Pembina Sticks Its Nose into Alberta's Oil Sands Business

The report *Death by a Thousand Cuts* revealed the threat that drilling for deep oil sands poses to the integrity of Alberta's boreal forest and its

When the oil sands industry went to Washington, D.C. to promote the oil sands, Pembina's oil sands experts were there to ensure the environmental story was told.

wildlife; without proactive government policy, as much as 25 percent of Alberta could be haphazardly leased to oil sands developers and subject to significant environmental impacts.

Troubled Waters, Troubling Trends in the Oil Sands

Our report *Troubled Waters, Troubling Trends* provided the first comprehensive overview on the use of water for the recovery of oil and bitumen in Alberta's oil sands and the impacts that oil sands development has on the Athabasca River and fresh groundwater.

New Poll on Oil Sands Shows Albertans Have Concerns

Pembina commissioned a groundbreaking public opinion survey of Albertans regarding oil sands development and environmental protection. The survey found that 91 percent of Albertans polled believed that environmental protection should be a priority over development. These results suggested that Pembina's ongoing work to raise public awareness about the environmental consequences of oil sands development is making a difference.

Coalbed Methane Development Sparks Questions from Landowners

Pembina helped raise landowner awareness of the impacts of coalbed methane development by delivering

Significant media coverage of *Death by a Thousand Cuts* spurred then-Premier Ralph Klein's now infamous quote "*The Pembina Institute should keep their noses out of anyone's business, especially businesses that want to take risks.*"



Illustration: Tim Rothermel

dozens of talks in communities across Alberta, raising issues in the media and providing advice to individuals on the phone. Pembina helped to focus the government's attention on key issues through participation in advisory committees and reviews of government policies; this included seeking improvements in the new baseline testing of water wells located near drilling sites.

Arctic

Assessing the Mackenzie Gas Pipeline

In 2006, we conducted technical research on greenhouse gas emissions, oil and gas royalty regimes and cumulative impact management for interveners in the regulatory review of the Mackenzie Gas Project. This 1200-km natural gas pipeline proposed for the Mackenzie would open the door to extensive gas drilling across the Northwest Territories and the Yukon, bringing potentially negative impacts to Canada's North and its communities.

British Columbia

Stopping Coal in Its Tracks

In 2006, BC Hydro announced its intention to support the development of two coal-fired power plants in British Columbia. These plants would have caused the province's greenhouse gas emissions from the electricity sector to at least double. In response, Pembina and partner organizations gave workshops in potentially affected communities and worked with community members to build awareness and attract media attention. In February 2007, government policy changes effectively shelved the proposed plants.

Road Show Explores Impacts of British Columbia Pipeline on First Nation Communities

Pembina women teamed up with First Nations women to travel along the proposed Enbridge Gateway Pipeline route in northern British Columbia to raise awareness of the potential impacts of pipeline development and the expansion of oil and gas development on First Nation communities.

Shortly after the tour concluded, Enbridge announced it was delaying the plan for the Gateway Pipeline in favour of other routes.

Ontario

Nuclear Is Not the Answer

In 2006, the Government of Ontario set a target of 14,000MW of nuclear power for its future electricity system, requiring both the refurbishment of existing plants and the construction of new ones by 2025 to increase the amount of nuclear that would be targeted for its future electricity supply mix. In December, Pembina published *Nuclear Power in Canada*, the first comprehensive assessment of the risks, environmental impacts and sustainability of nuclear power in Canada and concluded that relying on nuclear power as a response to climate change would simply replace one long-term problem with a series of others. Climate change strategies should focus on the more reliable and sustainable options that are available to use, including energy efficiency and low-impact renewable energy sources.

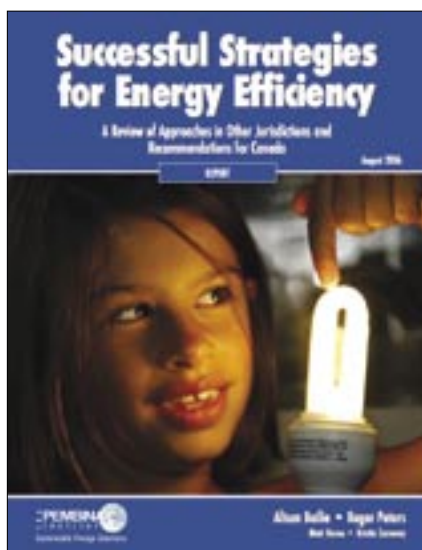
Challenging False Nuclear Claims

Nuclear Power in Canada provided the basis for a complaint, filed with the Federal Competition Bureau, against the Canadian Nuclear Association for its high profile "Clean," "Affordable," "Reliable" TV advertising campaign. The complaint is under investigation by the bureau.



Changing the way governments approach environmental challenges

Pembina advances creative and effective policy solutions to protect the environment and transition toward sustainable energy.



This report highlighted successful energy efficiency policies among U.S. states and in the European Union and made recommendations on how the experiences of these jurisdictions can be applied in Canada.

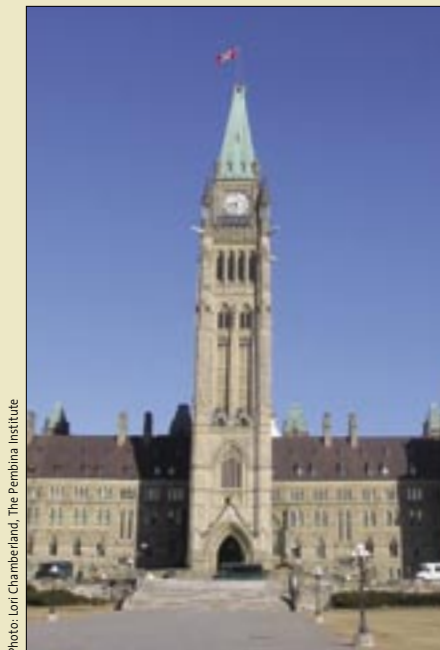


Photo: Lori Chamberland, The Pembina Institute

Climate Change

Influencing Policymakers

The year 2006 saw Canadians identify the environment as their foremost concern, eclipsing traditional priorities such as health or taxation in public opinion surveys. In Ottawa, climate change was one of the most contested political issues, and Pembina was influential in turning it into a priority item for the federal government.

Pembina's climate change team worked closely with decision makers in Ottawa to make the case for a comprehensive, credible climate plan for Canada, with a particular focus on greenhouse gas pollution from heavy industry. Pembina's Climate Change Director, Matthew Bramley, was invited to testify to House of Commons committees on four occasions.

Keeping the Public Informed

Journalists sought Pembina's climate change expertise frequently, with the result that Pembina spokespeople appeared in hundreds of news stories in English and French in 2006. *La Presse*, one of Quebec's leading daily newspapers, published a monthly opinion article by Matthew Bramley starting in October. Pembina experts also contributed detailed technical submissions to federal consultations.

Sustainable Energy

A Model National Energy Strategy

In 2006, the Pembina Institute and its partners in the Canadian Energy Efficiency Alliance (CanREA) published a model National Renewable Energy Strategy. This strategy provides a blueprint for making renewable energy and energy efficiency the cornerstones of Canadian global warming and economic development policy.

Advancing Canada's First National Energy Efficiency Action Plan

The Pembina Institute was asked to participate in the development of Canada's first National Energy Efficiency Action Plan, which is being prepared for the Council of Energy Ministers. Pembina also participated in several other federal provincial energy efficiency initiatives.

National Guidelines for Renewable Fuels

The Pembina Institute was one of the few Canadian non-governmental organizations to participate in the development of a national renewable fuels policy. In 2006, the Institute prepared a background paper on this issue and made expert representation to Environment Canada and the Council of Energy Ministers Working Group on Renewable Fuels.

Lobbying for Energy Efficiency and Conservation in Ontario

Pembina's *Quick Start Energy Efficiency Strategy for Ontario*, published in April 2006, laid out how Ontario could learn from leading U.S. jurisdictions, such as California, New York and Vermont, to reduce its need for costly and risky nuclear power plants and polluting coal-fired electricity, by realizing the province's enormous potential to improve its energy efficiency.

In its June 2006 directive to the Ontario Power Authority (OPA) the Government of Ontario directed the OPA to pursue an energy efficiency target of a 6300MW reduction in peak electricity consumption by 2025, more than three times the OPA's original recommendation to the province.

Maximizing Sustainable Energy in British Columbia

In collaboration with Pollution Probe, Pembina hosted a multi-stakeholder workshop that looked at ways British Columbia could maximize energy efficiency and renewable energy. The workshop led to a report that detailed energy efficiency and



Photo: David Dodge, The Pembina Institute

In 2006, the Pembina Institute made a case for removing subsidies to Canada's oil and gas industry, focusing on the elimination of the accelerated capital cost allowance for oil sands.

renewable energy potential in British Columbia and a series of key recommendations to achieve that potential.

A Rebirth of Energy Efficiency in Alberta

In 2006, Pembina played a central role in having the Government of Alberta agree to develop an overarching Energy Conservation and Efficiency Framework for the province. Pembina was also a driving force in the creation of the Alberta Energy Efficiency Alliance.

Green Economics

Examining Oil Sands Tax and Royalties

Pembina's report *Thinking Like an Owner* demonstrated why the existing tax and royalty structure is outdated and called for a review and reform of the provincial royalties and an elimination of tax breaks for the oil sands. Pembina also commissioned a ground-breaking poll that indicated strong support for reformation of Alberta's oil sands royalty regime and

helped demonstrate the need for a review and more political support for such a review during an election year.

Eliminating the Accelerated Capital Cost Allowance

In 2006, the Pembina Institute made a case for removing subsidies to Canada's oil and gas industry, focusing on the elimination of the accelerated capital cost allowance for oil sands. Our recommendation formed one of the priority elements for the green budget coalition and was presented to the Standing Committee on Finance as part of the pre-budget consultations.

Calling for a Review of the Oil Sands Royalty Regime

During the provincial election, we called for a review and reform of the oil sands royalty regime. Leadership hopefuls said that they would conduct a review if elected. The royalty review became a key election issue, and the new government agreed to conduct a review in 2007.

Thank you for supporting our work

The engagement and support of the following organizations and individuals have contributed to the realization of a more sustainable energy future.

Funders, Partners and Clients

The Pembina Institute works with a host of organizations and corporations as partners and on a fee-for-service basis.

221B Capital Inc.
Alberta Ecotrust Foundation
Alberta Energy
Alberta Energy and Utilities Board
Alberta Environment
Alberta Environmental Network
Alberta Institute of Agrologists
Alberta Lottery Fund
Alberta Sport, Recreation Parks & Wildlife Foundation
Alberta Urban Municipalities Association
Alcan Inc.
Alternatives North
Assembly of First Nations of Quebec and Labrador
Association of Alberta Agriculture Fieldmen
BC Hydro
BC Ministry of Energy, Mines & Petroleum Resources
BC Ministry of Environment
BIOCAP Canada Foundation
Birch Narrows Dene Nation
BP Canada Energy
Bullfrog Power Inc.
Calgary Regional Partnership
Canadian Boreal Initiative
Canadian Broadcasting Corporation
Canadian Energy Research Institute
Canadian Environmental Network
Canadian Index of Wellbeing
Canadian Institute for the Administration of Justice
Canadian Institute, The
Canadian Mountain Holidays
Canadian Petroleum Products Institute
Canadian Teacher's Federation
Catalyst Paper Corporation
Centre For Indigenous Environmental Resources Inc.
CH2M HILL Canada Limited
City Green Solutions Society
City of Yellowknife
Clean Air Strategic Alliance
Climate Action Network Canada
Concordia University
Conference Board of Canada
Conoco Phillips
Cree Nation of Nemaska
Cumulative Environmental Management Association
David Von Hippel Analysis and Planning
Dawson Creek Municipality
Deer Creek Energy Ltd.
Department of Foreign Affairs & International Trade
Direct Energy
Douglas First Nation
Driftpile First Nation
Ecce Energy Corporation
Ecology North
EnCana Corporation
Enterprising Environmental Solutions, Inc.
Environment Canada
Environmental Careers Organization of Canada
ESSA Technologies Ltd.
First Nations (Alta) Technical Services Advisory Group
Fisheries Joint Management Committee
Flying Dust First Nation
Fortis Alberta
Friends of Rockwood Park
Global Energy Services Ltd.
Government of Canada – House of Commons
Grant MacEwan College
Green Budget Coalition
(c/o Nature Canada)
Hydro One Remote Communities Incorporated
IHS Energy
Ka:yu:k't'h'/Che:k'tlesyet'h' First Nations
Kinistin Saulteaux Nation
Langara Community Energy Plan
Learning for a Sustainable Future
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In 2006, Pembina's staff team comprised over 50 people including scientists, researchers, engineers, lobbyists, policy analysts, teachers, accountants, lawyers, business administrators, writers, editors, communication strategists and fundraising experts. As well, our extended team includes exceptional volunteers and contractors who help Pembina achieve its goal of shifting our society to a sustainable energy future.

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In 2006 we asked Canadians to support us through a number of initiatives including mail campaigns.

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- 71% of our current donors either renewed or increased their gifts in 2006.

Wind Power by Pembina

Wind Power Moving Forward



Many thanks to all those who supported the Pembina Institute through the Wind Power by Pembina program. This program educates the public about renewable energy sources and the environmental benefits of wind power and also allows individuals and corporations to take action by purchasing wind power certificates for their computers, homes and businesses. In 2006, over 8,000 MWh of wind energy was produced on behalf of our supporters.

Thank you to our Wind Power Supporters!

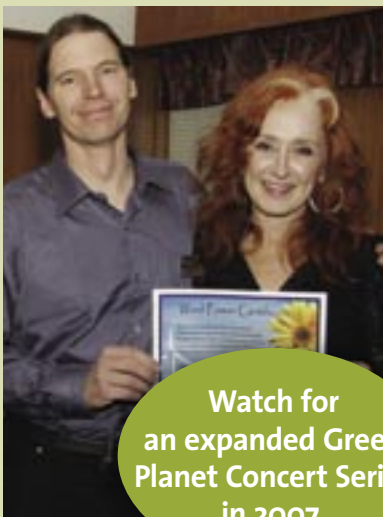
Want to power your computer with wind energy?

Contact our *Wind Power by Pembina* Program Coordinator:

Tel. 403-269-3344 ext. 117 or visit www.ilovewindpower.com

Events

Bonnie Raitt Wows a Sold-Out Crowd in Support of the Pembina Institute



In October 2006, Bonnie Raitt, with special guest Maia Sharp, performed to a sold-out crowd at the Jubilee Auditorium in Calgary. The concert event helped raise close to \$90,000 for the Pembina Institute's programs that help move Canada away from dependency on non-renewable fossil fuels and toward low-impact renewable energy sources such as wind and solar.

Watch for an expanded Green Planet Concert Series in 2007.



Gala 2006

Pembina's Annual Earth Celebration Gala



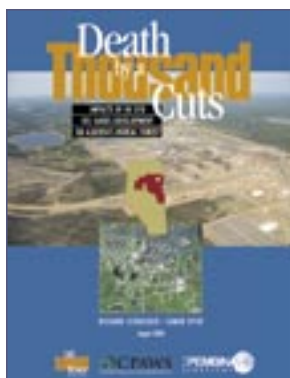
Our 2006 Earth Celebration Gala raised over \$45,000 (net) as a result of the generous support of our event sponsors and participants. Some of the highlights included a raffle, a silent auction and great entertainment.

From knowledge comes solutions

Pembina authors present credible information that highlights environmental challenges and provides practical solutions for solving our energy challenges. More than 630,000 documents were downloaded from our websites in 2006 — more than double the 2005 downloads.

The issues we worked on in 2006 were regularly covered in the news and often raised by members of the federal and provincial government in public forums. Our opinions were published regularly as opinion editorials in major news outlets. There were well over 1,400 stories in national and international news outlets citing Pembina in 2006 — almost double the coverage from 2005.

Below are some key publications from 2006. Many of our reports are now accompanied by illustrated fact sheets. Browse our complete archive at www.pembina.org/pubs

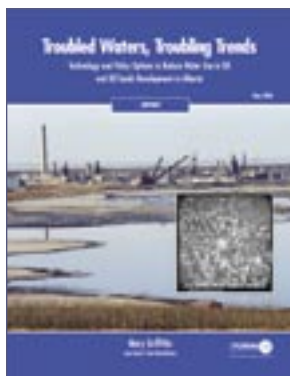


Death by a Thousand Cuts

By: *Simon Dyer*
August 2006, 50 pgs.

By August of 2006, the Alberta government had leased out a track of boreal forest the size of Vancouver Island for oil sands development with no public discussion or plan for protecting the forest. This publication examines the environmental impacts of deep oil sands drilling and pres-

ents policies and planning solutions as well as best practices that could lessen the environmental impact of deep oil sands drilling.

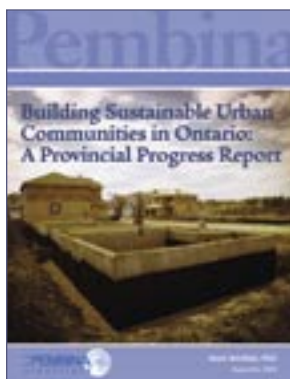


Troubled Waters, Troubling Trends

By: *Mary Griffiths, Amy Taylor, Dan Woyillowicz*
May 2006, 171 pgs.

Oil sands mining operations in Alberta use large volumes of water from the Athabasca River. The increasing demand for water threatens the sustainability of the province's surface water and groundwater supplies.

This report presents never before reported statistics on the use of water in the oil and gas industry. Policy and technological solutions are also presented.



Building Sustainable Urban Communities in Ontario: A Provincial Progress Report

By: *Mark Winfield*
October 2006, 55 pgs.

The report is the fifth in a series of studies by the Pembina Institute on provincial legislation and policy affecting urban development in southern

Ontario. We conclude that although some major progress has been made, a number of major barriers to the implementation of the province's new policies and plans exist. We make 19 recommendations to address these challenges.

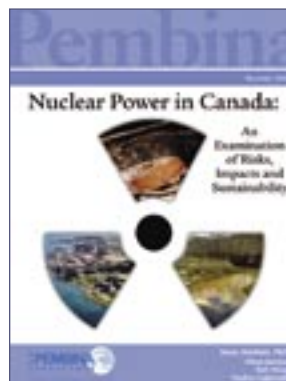


Thinking Like an Owner

By: *Amy Taylor*
November 2006, 25 pgs.

Between 1996 and 2005, world oil prices more than doubled and production of the oil sands increased by 123%. During the same time period, Albertans saw their share of this economic boom decline. This report demonstrates that the current tax and royalty treatment of

the oil sands is a bad deal for Albertans and Canadians and offers concrete steps that need to be taken to ensure a fair tax and royalties system.



Nuclear Power in Canada

By: *Mark S. Winfield, Alison Jamison, Paulina Czajkowski, Rich Wong*
December 2006, 130 pgs.

This study examines the environmental impacts of the use of nuclear energy for electricity generation in Canada. Our researchers conclude that no other energy source combines the generation of a range of

conventional pollutants and waste streams with the generation of large volumes of radioactive wastes that will require careful management over hundreds of thousands of years.

Pembina's top-rated websites inform, inspire and engage us all to help create a more sustainable world ...

E-newsletters and websites

Pembina's e-publishing continues to grow and attract new and larger audiences thanks to innovative content and good design. Electronic promotion strategies such as website optimization and promotion of website content using our electronic newsletters ensure people read and use Pembina materials. More than 3,000 new members joined our newsletter lists in 2006.



Pembina.org
www.pembina.org/
 Visit the Institute's updated website for timely reports, media releases and other information about our many programs. Improvements to our searchable

publications database make finding the resources you need even easier. In 2006, we updated several sections of this site including the following four sections:



Pembina Corporate Consulting
<http://corporate.pembina.org/>
 Industry leaders can find out more about the Institute's innovative programs for advancing corporate sustainability.



Renewable Energy
<http://re.pembina.org/>
 Increasing the use of low-impact renewable energy is an important strategy for moving toward a sustainable energy future. Find

out about technologies, global initiatives and Canada's progress on using renewable energy to meet society's energy needs.



Climate Change
<http://climate.pembina.org/>
 Canadians rank global warming among their top environmental concerns. Learn about Canada's role in limiting climate change.



Oilsandswatch
www.oilsandswatch.org/
 Oilsandswatch.org
 This media-rich website provides timely reports, slide shows and videos that examine the environ-

mental impacts resulting from the rapid development of Alberta's oil sands. All resources — including photos for media use — can be downloaded from the website free of charge.



GreenLearning
www.greenlearning.ca
 greenlearning.ca delivers timely, accurate and engaging environmental learning resources on energy and the environment for teachers and students. Find class-

room-tested materials including lessons plans, activities and more at greenlearning.ca.



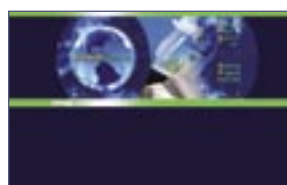
**OneLessTonne/
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 Committed to reducing your carbon footprint? Calculate the difference you can make by taking

simple actions that help cut greenhouse gas emissions and save money at the same time!



Re-Energy
www.re-energy.ca/
 Take a hands-on approach to learning about renewable energy with do-it-yourself construction plans for working renewable energy models including a solar

car, solar oven, wind turbine, small-scale hydro generator and biogas generator.



Fiscally Green
www.fiscallygreen.ca/
 Fiscallygreen.ca connects you to real-world examples of fiscal policies that are helping to achieve environmental objectives

in Canada and internationally. It also profiles the Institute's work with the Genuine Progress Indicator (GPI) — a total well-being accounting system that goes beyond economic measures in assessing the status of our society.

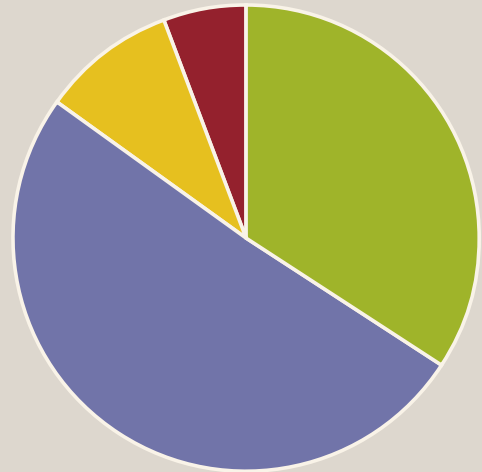
Financial data

Revenue 2006 (as per audited books)

The Pembina Institute advocates for change through fee-for-service contracts, foundation and government grants, and support from organizations and individuals.

Fee for Service	\$1,433,428	34.17%
Revenues received for completing research and advisory services for NGOs, government, First Nation communities, and corporate clients.		
Grants	2,128,843	50.75%
Revenues received from granting agencies to complete specific projects. The Pembina Institute currently does not receive core funding from any granting agency.		
Fundraising and Donations*	391,456	9.33%
Revenues from special fundraising events and non-receipted gifts to support the work of the Pembina Institute.		
Sales, Interest and Other	240,694	5.74%
Revenues from the sales of Wind Power Certificates and publications, and interest from investments.		
Total Revenue	\$4,194,421	100%

*Revenue received by the Pembina Foundation is not reflected under Donations and Fundraising. Please refer to the Pembina Foundation Annual Report.



Fee for Service	34.17%
Grants	50.75%
Fundraising and Donations*	9.33%
Sales, Interest and Other	5.74%

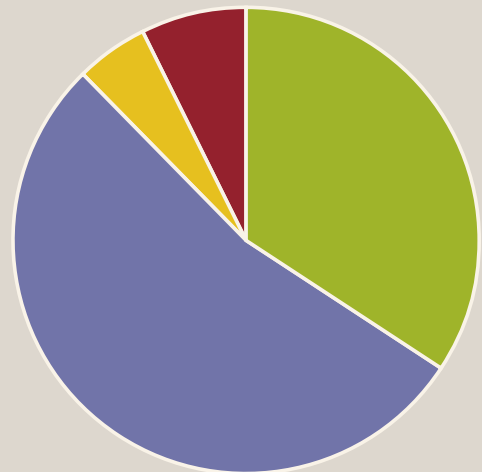
Expenses 2006 (as per audited books)

Project labour includes the expertise, skills and research required to develop, implement, communicate and evaluate the projects that help us all move towards a more sustainable energy future.

Project	\$1,359,607	34.23%
Hard costs including contractor services, travel, project materials and communications incurred to deliver our project work and our Wind Power Certificate sales program.		
Labour	2,121,611	53.42%
Represents wages, wage costs and staff benefits for 45 FTE staff to design, develop, deliver and manage our projects.		
Fundraising and Donations*	199,976	5.03%
Hard costs for raising funds through special events and an individual donor program.		
Infrastructure	290,576	7.32%
Overhead costs including offices, telecommunications, staff development, accounting and equipment incurred in the day-to-day operations of the organization.		
Total Expenditures	\$3,971,770	100%
Total Revenue	\$4,194,421	
Net Revenue	\$222,651	

Net revenue is held for future programming of The Pembina Institute.

*Expenses related to fundraising reflect all expenses associated with raising revenue through direct mail, special events, websites and unsolicited gifts for both the Pembina Institute and the Pembina Foundation.



Project Expenses	34.23%
Labour	53.42%
Fundraising and Donations*	5.03%
Infrastructure	7.32%

Statement of Operations
The Pembina Institute year ending December 31, 2006

	2006	2005
Revenue		
Consulting fees	\$1,195,621	\$1,476,924
Program cost recovery –		
Pembina Foundation agency agreement	1,192,422	712,179
Grants	936,421	745,493
Fundraising	316,854	71,628
Publications and windpower sales	230,210	146,892
Reimbursed expenses	163,400	212,340
Donations	74,602	8,909
Speaking and board honoraria	74,407	65,680
Interest	10,484	6,333
Rental	–	6,853
	\$4,194,421	\$3,453,231
Expenses		
Wages and wage costs	\$2,121,611	\$1,668,445
Contractor services	724,544	694,434
Staff travel	342,226	283,021
Fundraising	175,352	35,901
Project materials and supplies	109,725	257,514
Office rent	124,390	69,522
Advertising and promotion	93,103	104,189
Office	51,894	37,456
Telephone and utilities	41,261	34,865
Amortization	33,203	50,312
Insurance	25,027	25,976
Postage and courier	18,542	42,384
Professional fees	18,295	11,739
Equipment rental	17,211	15,111
Staff development	15,165	5,984
Bad debts	13,772	4,314
Property repairs	11,551	6,417
Library purchases and subscriptions	10,671	4,618
Website hosting and development	8,309	11,572
Property taxes	5,524	4,742
Bank charges	4,664	4,315
Computer support	3,041	5,994
Equipment repairs	1,595	4,331
Interest on long term debt	1,094	1,512
	\$3,971,770	\$3,384,668
Excess of Revenue Over Expenses	\$222,651	\$68,563

Statement of Financial Position
The Pembina Institute year ending December 31, 2006

	2006	2005
Assets		
Current Assets		
Cash	\$262,733	\$344,509
Accounts receivable	467,571	681,892
Due from related party	311,863	229,284
Prepaid expenses	33,042	29,154
Inventory	18,582	5,248
	\$1,093,791	\$1,290,087
Property, Plant and Equipment	202,200	192,193
	\$1,295,991	\$1,482,280
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$174,990	\$296,525
Deferred revenue	50,955	322,691
Mortgage payable within one year	11,229	15,795
	\$237,174	\$635,011
Mortgage payable after one year	–	11,103
	\$237,174	\$646,114
Net Assets		
Investment in property, plant and equipment	\$190,971	\$165,295
Reserve fund	180,000	75,000
Unrestricted	687,846	595,871
	\$1,058,817	\$836,166
	\$1,295,991	\$1,482,280

Calgary

Suite 200, 608 7st SW
Calgary AB T2P 1Z2

Drayton Valley

PO Box 7558
Drayton Valley AB T7A 1S7

Ottawa-Gatineau

164 Wellington St
Gatineau QC J8X 2J4

Vancouver

Suite 606, 55 Water ST
Vancouver BC V6B 1A1

Edmonton

2nd Floor, 10008 82 Ave
Edmonton AB T6E 1Z3

Canmore

Suite 204, 749 Railway Ave
Canmore AB T1W 1P2

Toronto

Suite 415, 215 Spadina Ave
Toronto ON M5T 2C7



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Raffle kindly sponsored by



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