



## Could This New Power Plant Be the Future for TransAlta Corporation?

### Description

This week, approximately eight kilometres outside of Estevan, Saskatchewan, a huge development in coal power was quietly fired up.

How is this plant different?

It does something that, up until now, was only possible on the drawing board. The Boundary Dam Power Station is the crown jewel of the provincially owned SaskPower Corporation. It cost \$1.4 billion, and is capable of 110MW of production.

OK, pretty standard so far. What's so great about it?

By using carbon-capturing technology, the plant will emit 90% less carbon dioxide than a comparable coal-fired plant.

It works like this: As carbon dioxide moves through the exhaust system of the plant, a complex system separates it from the other gases. This CO<sub>2</sub> is captured and stored. Some of it will be sold to companies like **Cenovus Energy Inc.** to aid in its oil production. Some of it will simply be pumped underground and stored there.

Other gases like sulphur dioxide and coal ash will also be captured, both of which have industrial uses and can be sold.

Just the one power plant will make a sizable difference in greenhouse gas emissions. A typical plant of that capacity would produce a million tons of CO<sub>2</sub> each year, which is the equivalent of the emissions of 250,000 cars.

If this technology becomes feasible for the rest of the globe's 7,000 coal-fired power plants, we could see a huge overall reduction in greenhouse gases. It's a very exciting new technology, one that could be a huge game changer for coal power plants around the world.

## What this means for TransAlta Corporation

The biggest beneficiary of this technology could be Canada's largest owner of coal-fired plants, **TransAlta Corporation** ([TSX: TA](#))([NYSE: TAC](#)).

Although only six of the company's 60 plants are coal fired, they represent approximately 50% of the company's generating capacity. These plants have also been the basis of TransAlta's problems over the past few years, costing millions in unscheduled repairs.

Because of these issues and investors' general aversion to the long-term health of coal power, TransAlta's stock has been beaten up over the last few years. Cutting the dividend earlier this year certainly didn't help the problem, either.

It's obvious that as it stands right now, coal-generating power plants are on thin ice. North America is awash in cheap natural gas, making it a logical choice for new plants. Solar, wind, and even geothermal energy sources are making progress. Nuclear power is safer than ever. Experiments are being done around the world with new energy sources like thorium, which look to have potential.

And then there's coal, by far the worst environmental choice. At least there's still plenty of cheap coal out there for fuel.

While the technology is interesting, it's far from a magical solution for the long-term viability of coal. A typical coal-fired plant of the size of Boundary Dam usually costs approximately \$400 million. This plant cost \$1.3 billion, including the federal government's subsidy of nearly \$250 million.

Imagine TransAlta having to pay three times as much for each of its power plants. It's having problems with profitability as it is. There's no way a project like this is anywhere close to feasible for a profit-seeking company.

And therein lies the crux of the problem. Carbon capture technology in power plants is very expensive. While it could have an important role in the future, at this point it's just not feasible for anybody but government. It's certainly not going to make any difference at all for TransAlta's existing facilities, at least not anytime soon.

There's a case for buying TransAlta stock. The company is so beaten down that it represents a pretty good value at these levels. Investors get a generous 6.15% dividend to wait out the turnaround, and coal power is still going to be needed for decades. Just don't have any delusions that clean coal is around the corner, because the technology isn't close to mattering — not for TransAlta.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:TA (TransAlta Corporation)

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