

MANUFACTURED

CARBON-NEUTRAL PAPER

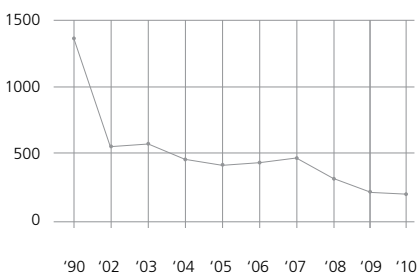
How Catalyst cuts emissions

Greenhouse gas emissions from Catalyst's Canadian operations were 85% below 1990 levels in 2010.

While reduced production was a factor, reductions have largely been achieved by:

- » Fuel switching – Virtually all of the company's greenhouse gas emissions are tied to using fossil fuels to generate steam and electricity. Using clean, biomass fuel (primarily sawmill leftovers like bark and wood shavings) instead of dirty fuels and investing \$250 million to upgrade wood waste boilers accounts for about two-thirds of the non-curtailment-related reduction.
- » Energy efficiency – Reducing the energy used to manufacture products accounts for roughly one-fifth of the reduction.
- » Closing assets – Permanently shutting old, inefficient machines and facilities accounts for another 10%.

Catalyst GHG emission reduction
(thousand tonnes CO₂e, Canadian operations)



(cont'd on next page)

Sage products – our flagship line of green paper products – are manufactured carbon-neutral at our Canadian operations. This reflects sustained concern with climate change and builds on Catalyst's long-standing greenhouse gas reduction efforts.

What is the problem with greenhouse gases?

Greenhouse gases increase global temperatures by stopping heat from radiating into space. The Kyoto Protocol lists carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride as greenhouse gases.

Some greenhouse gases have a stronger warming potential than others – methane, for example, has 21 times the warming capability of carbon dioxide. To allow consistent accounting, greenhouse gas emissions are generally reported as carbon dioxide equivalents, or CO₂e.

What does "carbon-neutral" mean?

Carbon-neutral means carrying out an activity without increasing the concentration of greenhouse gases – primarily carbon dioxide – in the atmosphere. This can be done by operating without releasing any greenhouse gases, or by offsetting greenhouse gases released through equivalent reductions elsewhere.

Why "manufactured carbon-neutral" rather than just "carbon-neutral"?

Greenhouse gas emissions occur at every step of the paper supply chain that runs from the forest floor to the customer's door. Manufacturing paper accounts for the greatest share, and it is those emissions we refer to when we offer carbon-neutral products. We do not account for greenhouse gas emissions beyond our control, such as those associated with sourcing and transporting raw materials to the mill, transporting paper to customers or printing finished products.

How can paper manufacturing be carbon-neutral?

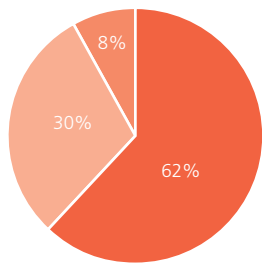
The first step is reducing greenhouse gas emissions as much as possible. Catalyst is exceeding its commitment, as a member of the World Wildlife Fund's Climate Savers program, to reduce greenhouse gas emissions from our Canadian mills by 70% from 1990 levels. These results – equivalent to taking 250,000 cars off the road every year – came through switching to renewable, carbon-neutral fuels, reducing energy consumption and improving equipment efficiency.

The second step is to balance any remaining emissions through carbon offsets.

Renewable Energy

The steam and electricity Catalyst uses to manufacture its products comes from various sources: At our Canadian operations 89% of our energy comes from renewable sources such as biomass fuels like bark and wood shavings and hydro-electricity from the province's electric utility, BC Hydro. Non-renewable fossil fuels like natural gas and fuel oil provide the rest.

Energy mix and renewability – Canadian operations



- 62% Biomass fuels (100% renewable)
- 30% Electrical energy (92% renewable)
- 8% Fossil fuels

Total renewable 89%

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What are carbon offsets?

Carbon offsets are activities that neutralize all or some of the greenhouse gases emitted by one party by reducing the emissions or increasing the greenhouse gases absorbed by another. Common offset projects involve renewable energy (like wind power generation), energy conservation or reforestation, which is currently the only way to remove carbon dioxide from the atmosphere.

We select initiatives and partners carefully when choosing offsets, opting only for those able to deliver actual, permanent and verified solutions.

What kind of carbon offsets is Catalyst using?

We choose direct line-of-sight projects. For our carbon-neutral offering, we buy carbon offsets from EcoNeutral ERA, which has established reforestation projects in urban parks in southwest British Columbia. The projects are backed by 80-year legal agreements with the local, provincial and federal governments to protect their permanence and meet the expectation of additionality.

What about quality?

Manufactured carbon-neutral paper performs exactly the same on press as other grades.

Why aren't other companies offering this kind of paper?

With our focus on energy efficiency and our experience with reducing and accounting for greenhouse gas emissions, Catalyst has an advantage in offering carbon-neutral products. Other companies may offer this kind of paper by buying large offsets; this creates accounting, verification and cost considerations for potential customers.

How can you verify that paper is carbon-neutral?

Catalyst works with a number of partners to offset emissions to zero and verify the manufactured carbon-neutral status of select products:

- » An independent auditor confirms Catalyst's carbon footprint and verifies that the company's approach, accounting, management and reporting are in keeping with international standards set under the Kyoto Protocol.
- » Catalyst has implemented the ISO 14064 carbon accounting management standard with independent verification at all of its Canadian paper operations.
- » EcoNeutral, our offset supplier, manages to the ISO 14064 standard, and has established reforestation projects on urban park lands in southwest British Columbia. The projects are backed by 80-year legal agreements with governments to protect their longevity.
- » The Pembina Institute, an independent, not-for-profit environmental policy research and education organization, has advised Catalyst on the acceptability and appropriateness of various offset approaches to achieving carbon neutrality.
- » Catalyst participates annually in the Carbon Disclosure Project, and has been recognized repeatedly as a Climate Disclosure Leader through this project, in light of its superior and financially relevant climate risk transparency in operations and reporting.
- » World Wildlife Fund Canada, a Catalyst partner since 2002, provides advice and input on further reducing emissions, consistent with Catalyst's involvement in WWF's Climate Savers program.
- » Catalyst's Sage products are available with on-product assurance statements confirming that they are manufactured carbon-neutral, and that they meet other environmental criteria.