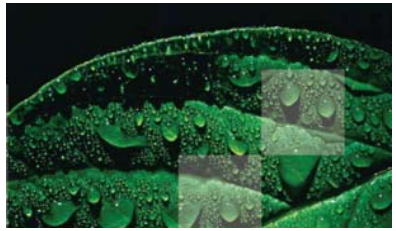
43rd Annual EEI Financial Conference
November 11, 2008

Brian Burden
Executive Vice President &
Chief Financial Officer



TransAlta™

Dow Jones Sustainability Indexes

Forward looking statements

This presentation may contain forward-looking statements, including statements regarding the business and anticipated financial performance of TransAlta Corporation. All forward-looking statements are based on our beliefs and assumptions based on information available at the time the assumption was made. These statements are not guarantees of our future performance and are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include cost of fuels to produce electricity, legislative or regulatory developments, competition, global capital markets activity, changes in prevailing interest rates, currency exchange rates, inflation levels, unanticipated accounting or audit issues with respect to our financial statements or our internal control over financial reporting, plant availability, and general economic conditions in geographic areas where TransAlta Corporation operates. Given these uncertainties, the reader should not place undue reliance on this forward-looking information, which is given as of this date. The material assumptions in making these forward-looking statements are disclosed in our 2007 Annual Report to shareholders and other disclosure documents filed with securities regulators.

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

TransAlta value proposition

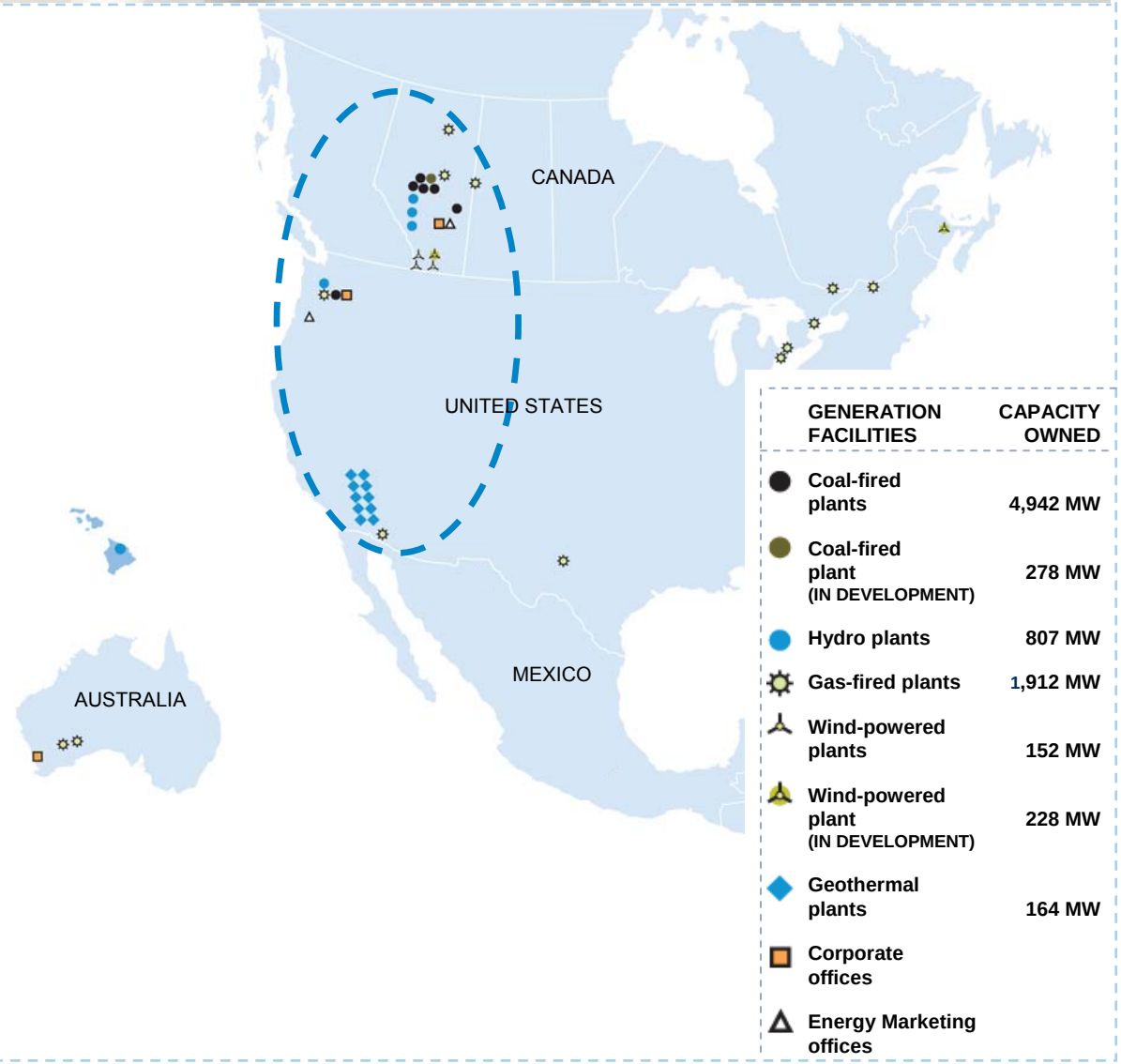
VALUE PROPOSITION
Consistent Returns

Financial Strength
Strong balance sheet
Investment grade ratios
Contracted cash flows

Low to Moderate Risk Business Model
Diversified fleet
Mix of contracts
Environmental leadership
Operational excellence

Disciplined Capital Allocation
Committed to a dividend
Balancing investments in growth with returning capital

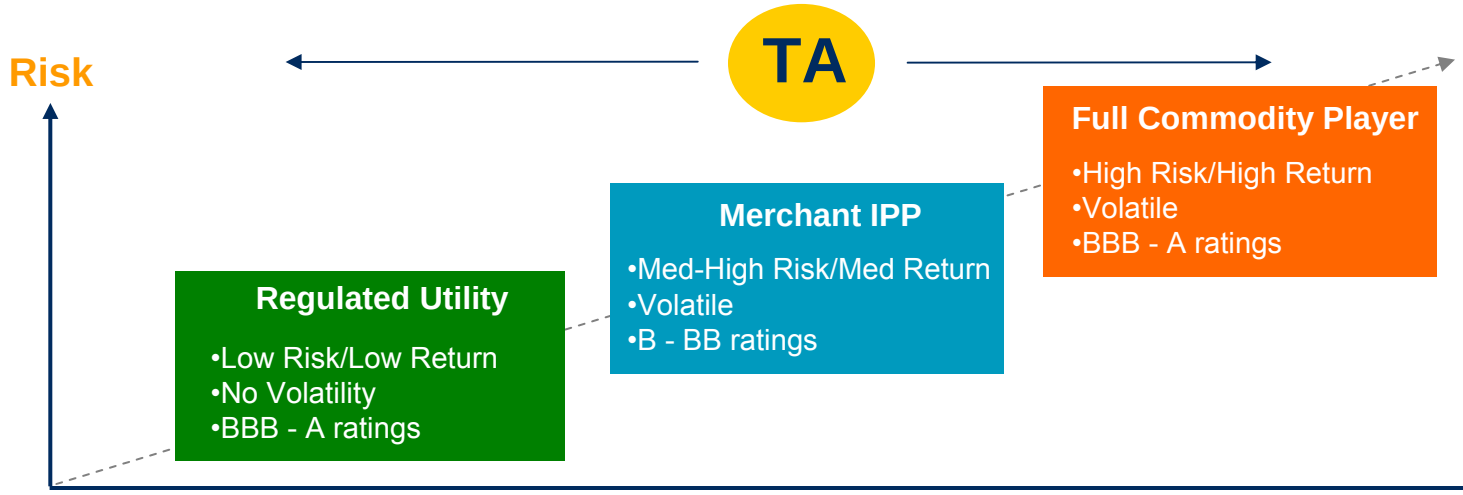
Yield & Growth
Exposure to growing power markets supports low double digit EPS growth
Dividend payout of 60 -70%



Unique in the power industry

TransAlta

Low to moderate risk, investment grade, wholesale power generator and marketer



Regulated Security through Government Mandated Power Purchase Arrangements

- 45% of asset base

Contract Diversity in Balance of Portfolio

- 25 - 30% Long Term
- 10 - 20% Medium Term
- 5 - 10% Short Term
- 5 - 15% Spot

Market Intelligence & Commodity Exposure through Trading Operations

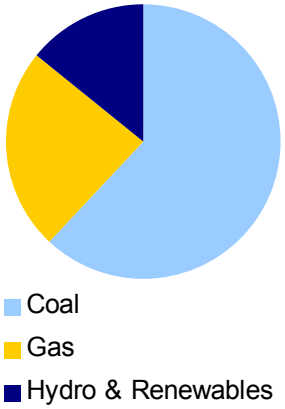
- Commodity Trading
- Risk Management
- Proprietary Trading
- Price Discovery

Sustainable dividend growth and capital appreciation

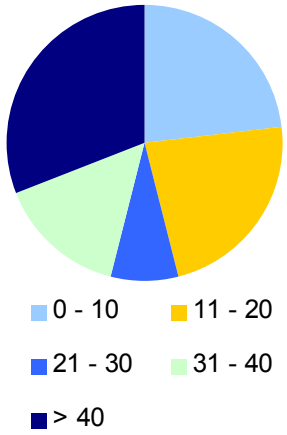
Diversified, highly contracted portfolio

Our diversification supports stable, steady income and cash flow

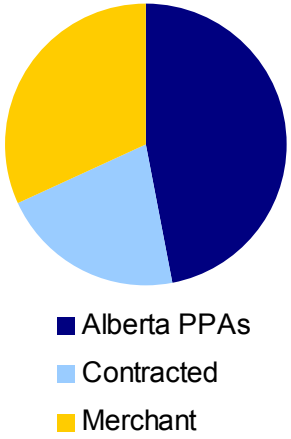
FUEL TYPE DIVERSIFICATION (MW)



FLEET AGE



CONTRACT COVER



1. Calculation based on MW ownership at Oct. 31, 2008. Net capacity equals ~8,000 MW

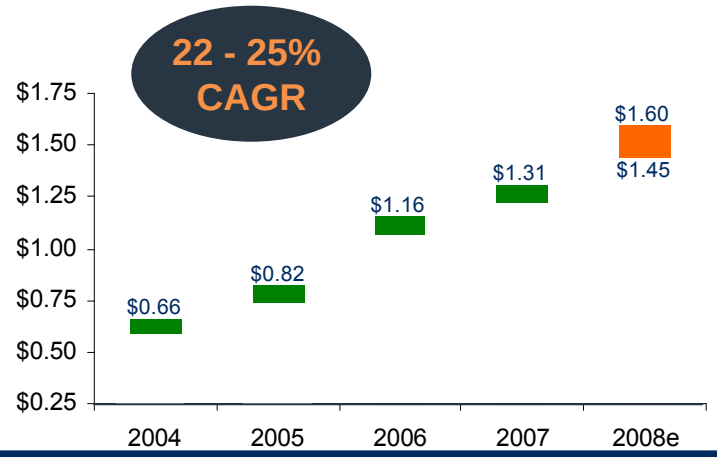
Financial strategy supports consistent shareholder value creation

Financial strength provides shareowners an advantage in a long-cycle, capital intensive, cyclical industry

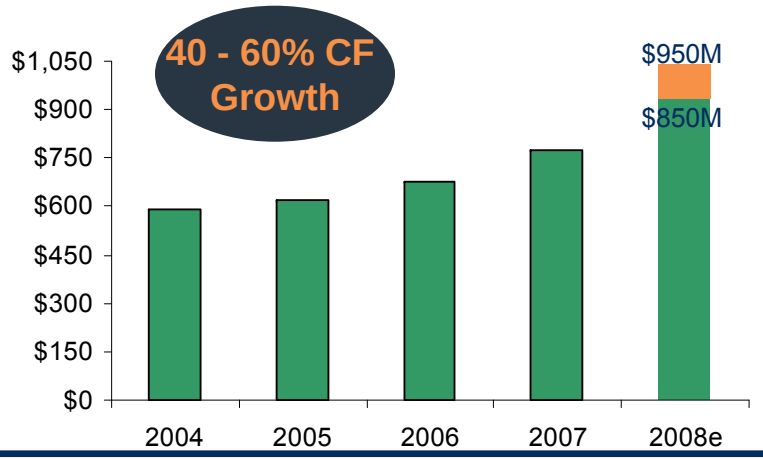
- **Maintain balanced capital allocation plan**
  - Focus on operating and free cash flow growth
  - Allocate capital to strategies delivering consistent returns
  - Recycle capital from under-performing assets
- **Maintain financial flexibility**
  - Hold stable investment-grade credit ratings
  - Drive efficient capital structure; maintain appropriate financial ratios
  - Maintain access to all potential sources of capital to cost effectively finance business plan
  - Maintain sufficient liquidity to support contracting activities
- **Maintain focus on IRR, ROCE, and TSR objectives**
  - Goal is to achieve ROCE and TSR greater than 10 per cent
  - New investments must exceed 10 per cent IRR – if not, return cash to shareholders
  - Monitor, measure and manage exposure to known risks

Solid track record of results

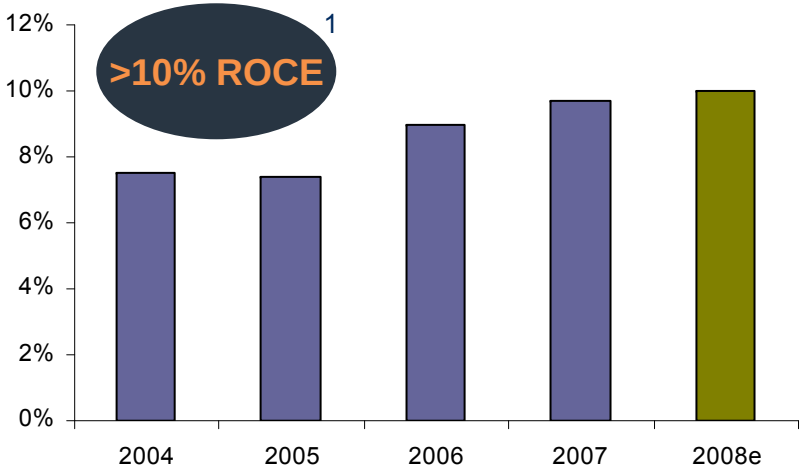
EARNINGS PER SHARE



CASH FLOW FROM OPERATIONS

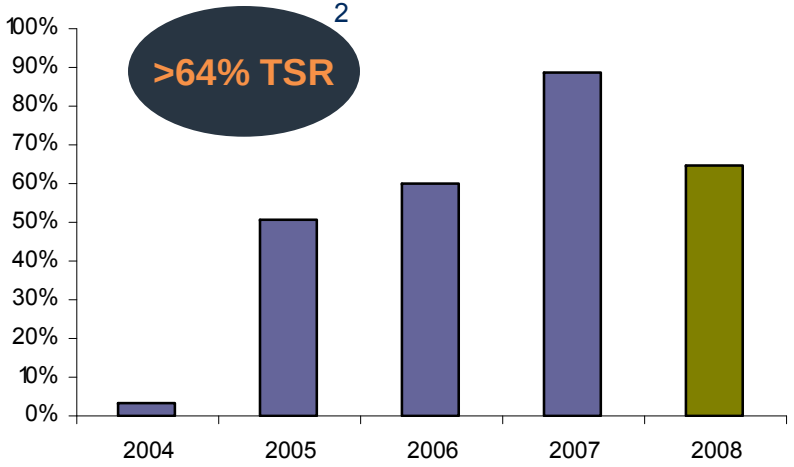


COMPARABLE RETURN ON CAPITAL EMPLOYED



1. As of Oct. 31, 2008

5 YEAR CUMULATIVE TOTAL SHAREHOLDER RETURN



2. As of Oct. 31, 2008

TransAlta

Well positioned to take advantage of opportunities and deal with challenges

Diversified, low-cost business model + operating excellence + financial strength = short and long-term success

CHALLENGES

- Environmental uncertainties
- Inflation
- Demand risk
- Credit market upheaval

POSITIVES

- Environmental leadership
- Rising prices
- Recontracting of open length
- Excellent growth opportunities
- Financial strength / investment grade
- PPA benefits

Alberta is in need of additional supply
North America needs renewables

Strong EPS growth 2008 - 2012 fueled by higher electricity prices and recontracting

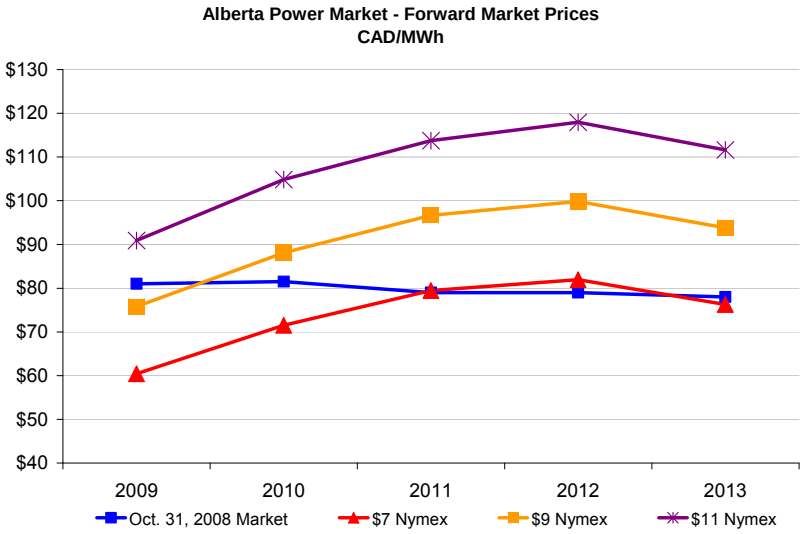
Higher commodity prices in Alberta and the PacNW drive EPS growth; scenarios assume no change in availability or contracting strategies

	AB Prices $/MWh	PNW Prices $/MWh	EPS Estimates	
			2008	2012
Low Case	$60 - $70	$50 - $55	$1.45	$2.00
Medium Case	$80 - $90	$65 - $75	$1.55	$3.00
High Case	$100 - $110	$80 - $90	$1.60	$4.00

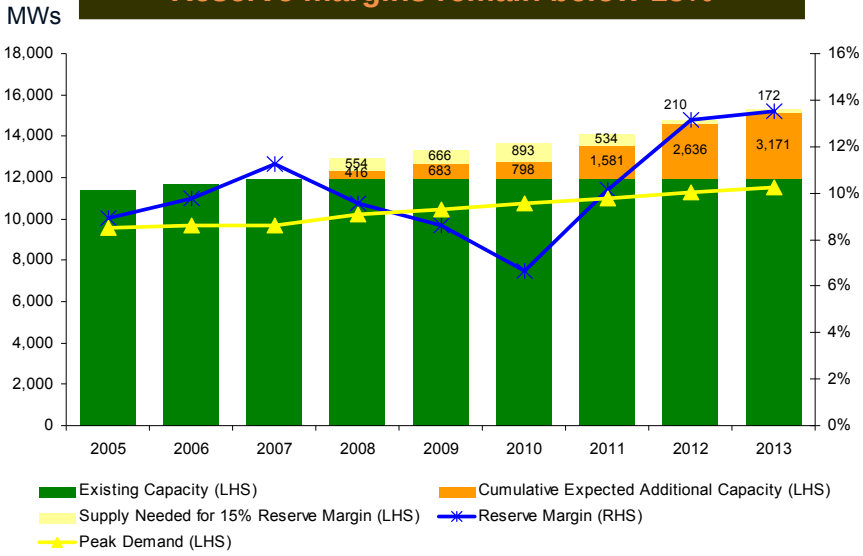
Alberta power prices expected to be strong

- Low reserve margins will persist
- Strong load growth dependent on oil sands expansion
- New wind supply will create volatility and raise average prices
- Transmission constraints limit significant new supply from traditional sources

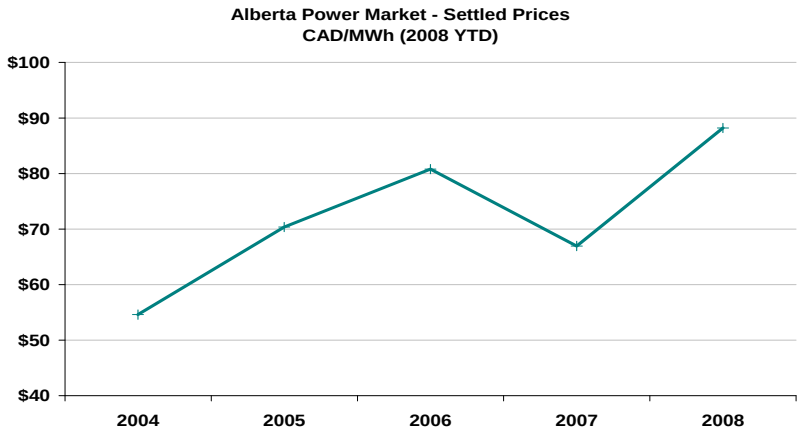
Steady price growth in various gas scenarios



Reserve margins remain below 15%



Since 2004, power prices have risen > 50%



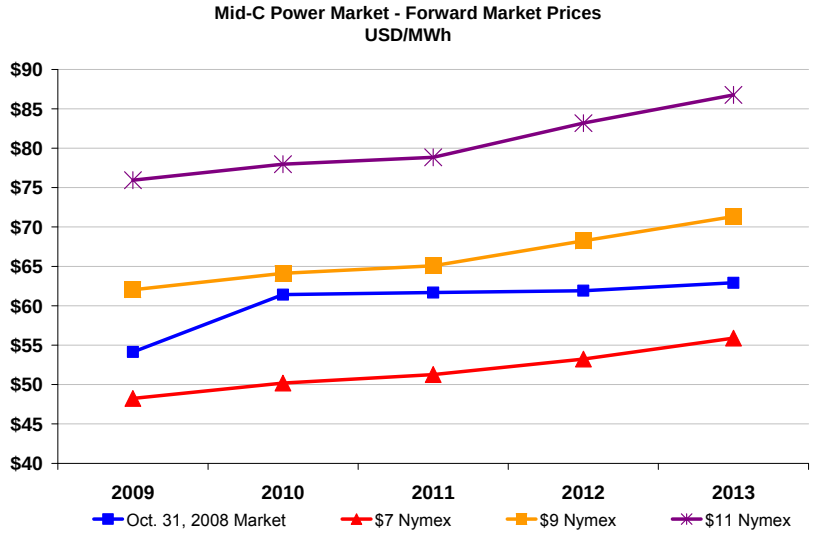
TransAlta

Figures as of Oct. 31, 2008

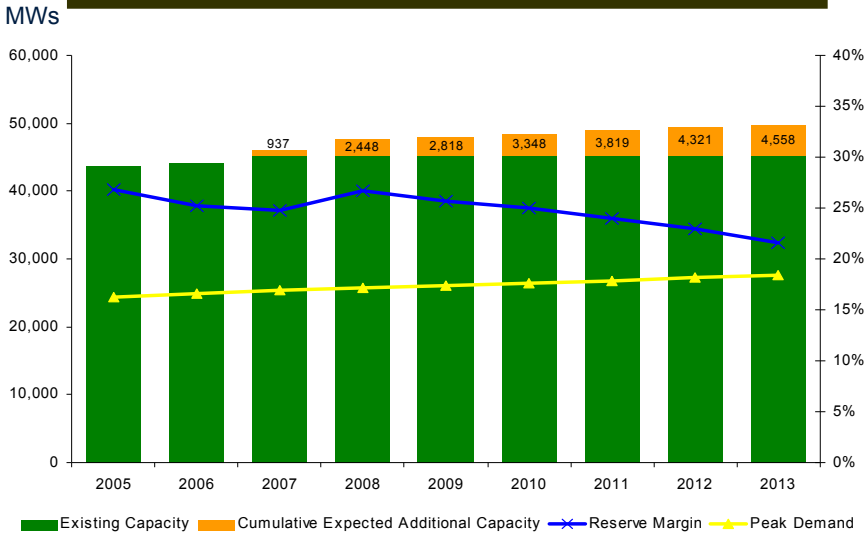
PacNW prices expected to strengthen as load growth outpaces hydro supply

- Load growth expected to exceed traditional hydro supply
- Market will see increased reliance on natural gas
- New supply is mostly wind
  - Intermittent nature will create volatility
  - Volatility will create higher average prices
  - Reserve margins will decline
  - Thermal units will become more valuable

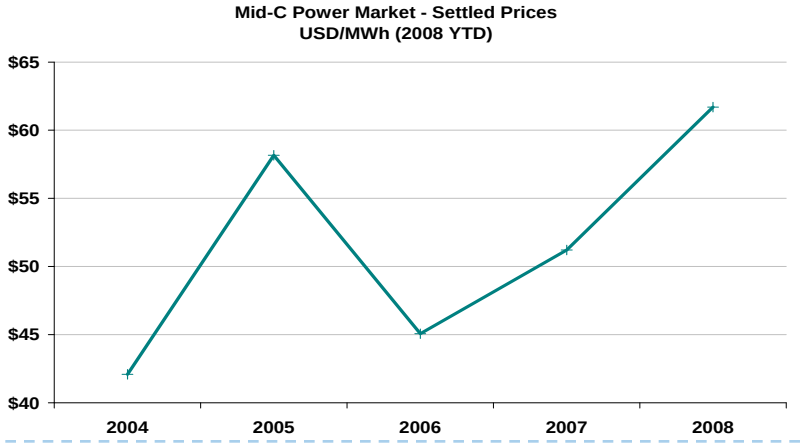
Steady price growth in various gas scenarios



Reserve margins are declining



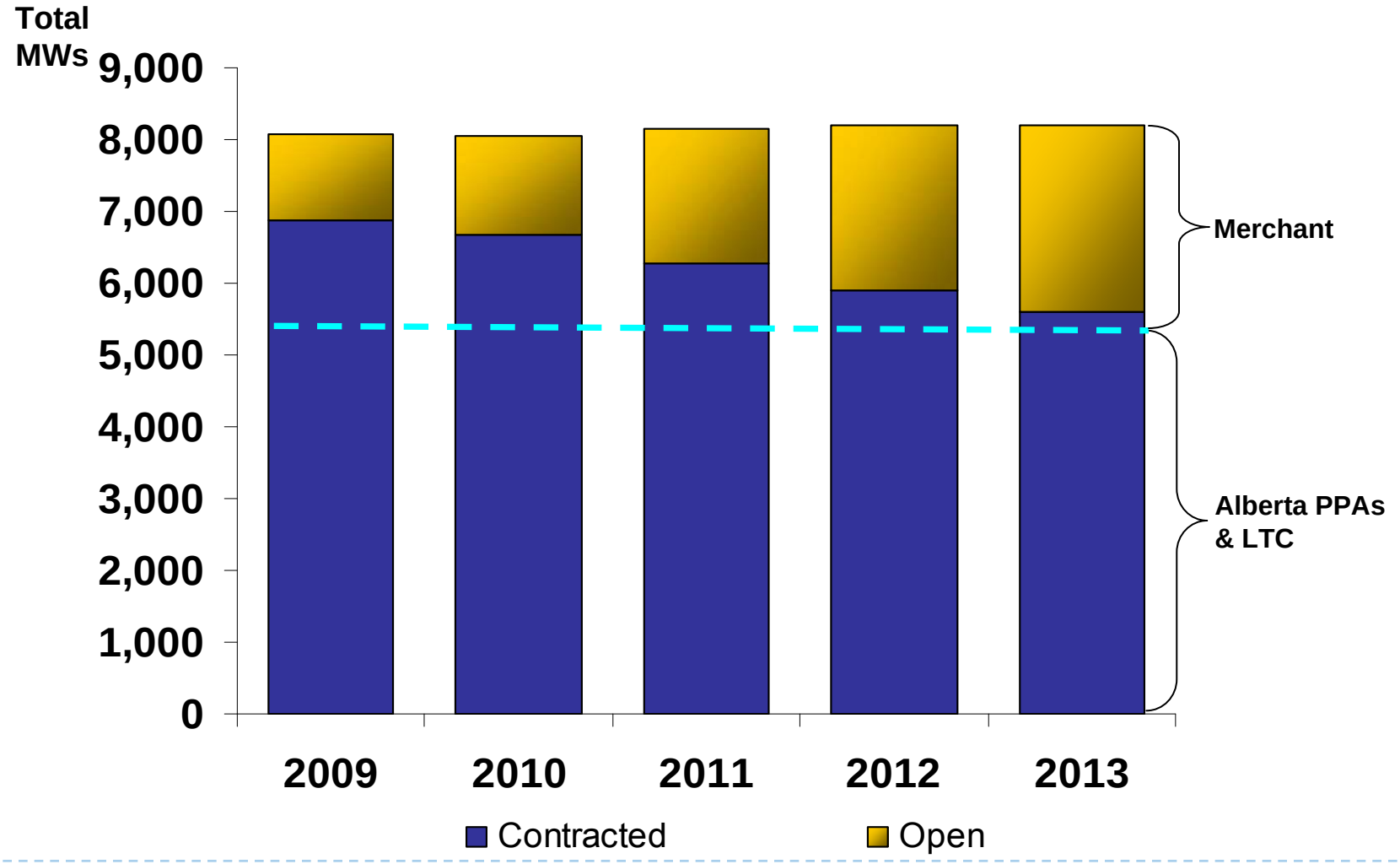
Since 2004, power prices have risen almost 50%



Figures as of Oct.31, 2008

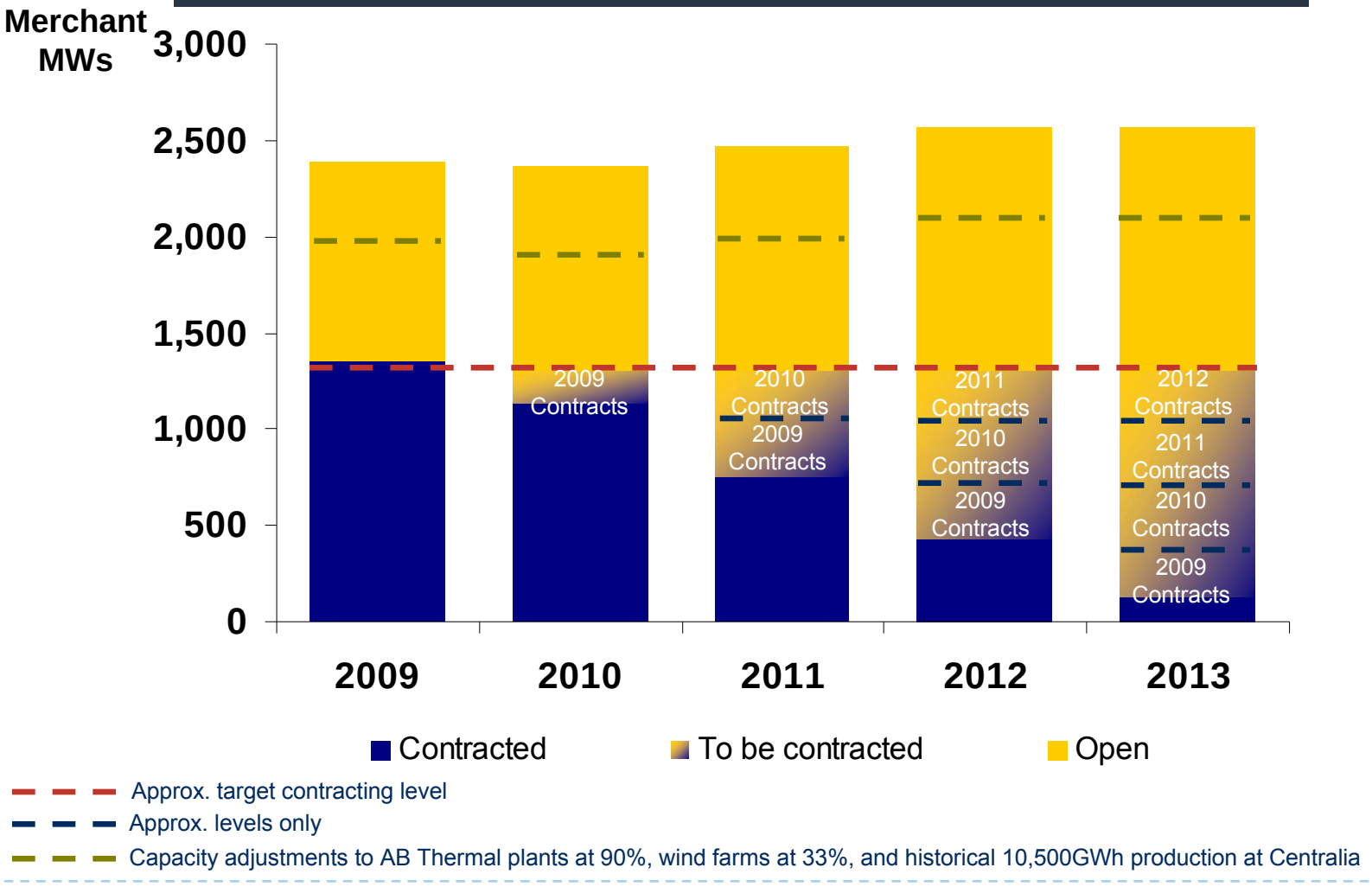
Alberta PPAs and long-term contracts provide the base of our contracted position

Hedge strategy targets an average of 90% contracted capacity



Alberta & PACNW open merchant positions provide opportunity to capture upside of higher prices

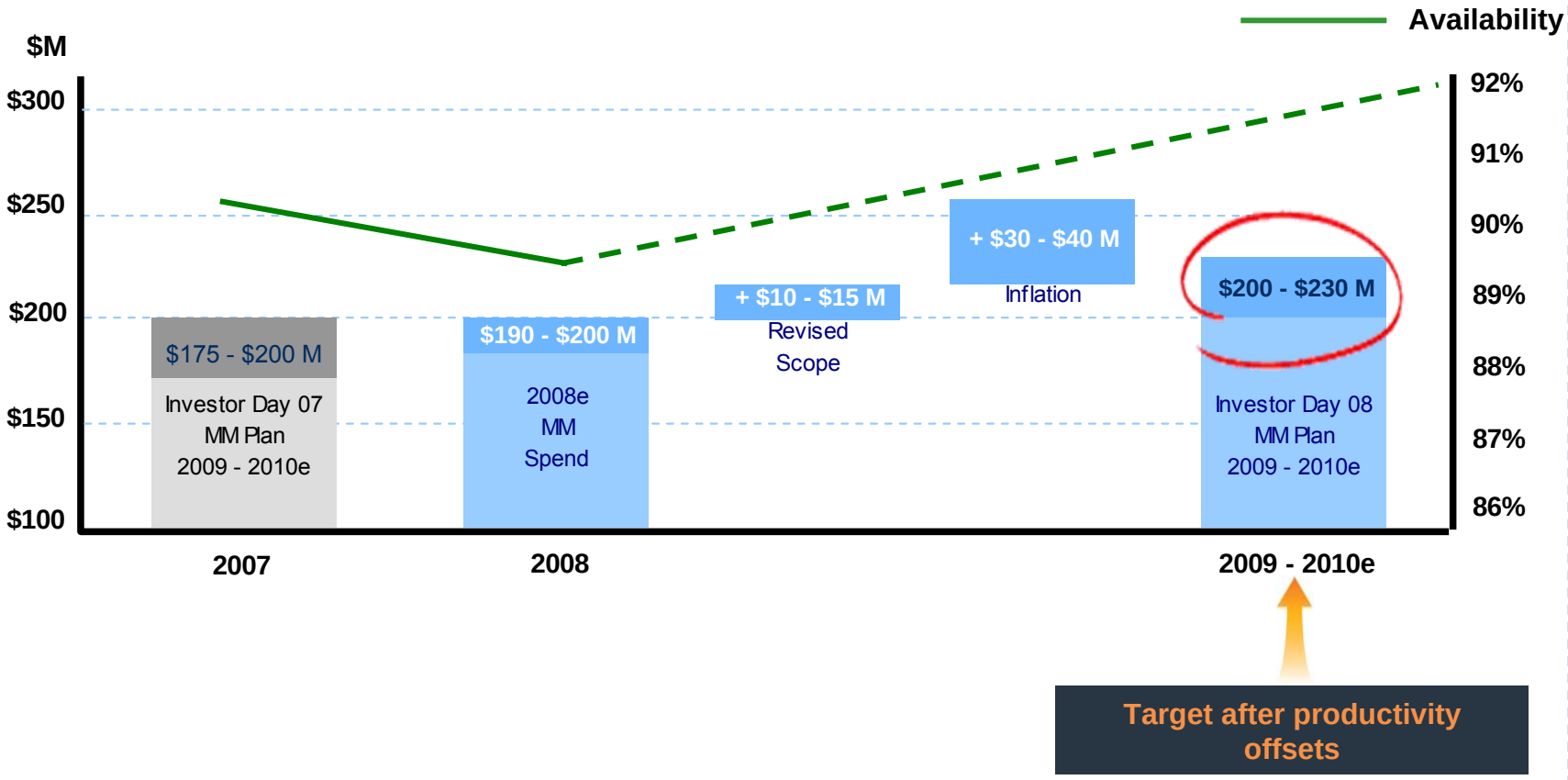
Disciplined hedging strategy provides for more secure earnings and cash profile in a volatile and cyclical commodity market



Driving to top decile availability

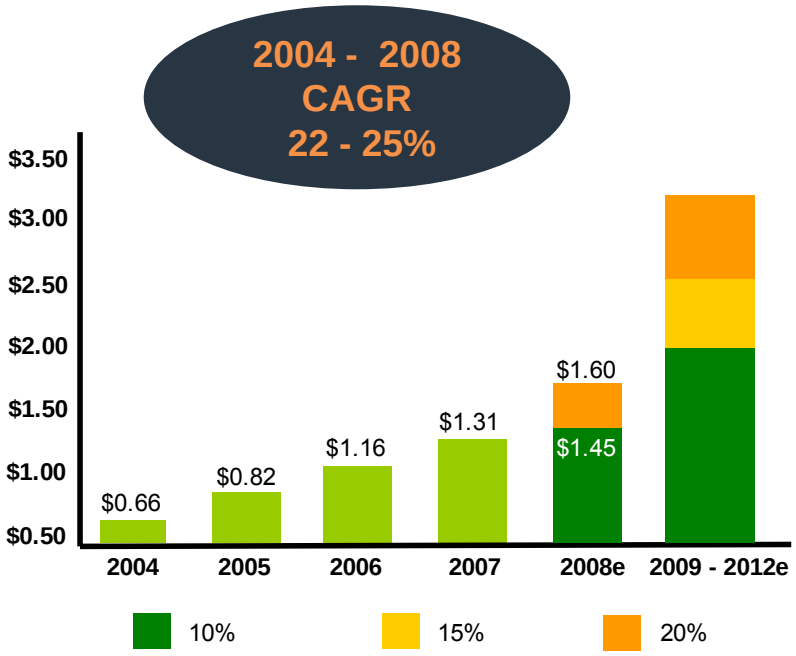
We will continue to fight inflation while delivering on our production targets

Total Major Maintenance Spend



Base operations to provide significant EPS and cash flow growth

2008 – 2012
Expect low double digit EPS growth and strong cash flow from operations

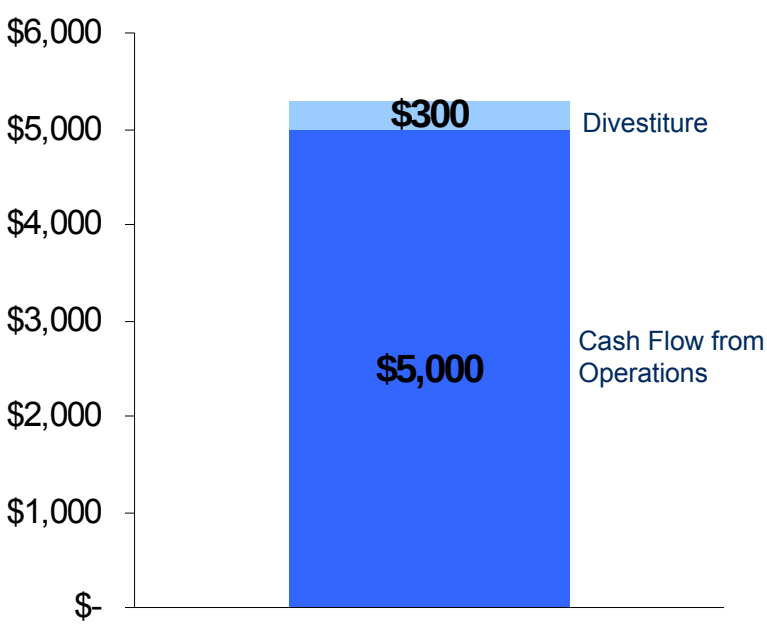


Earnings per share

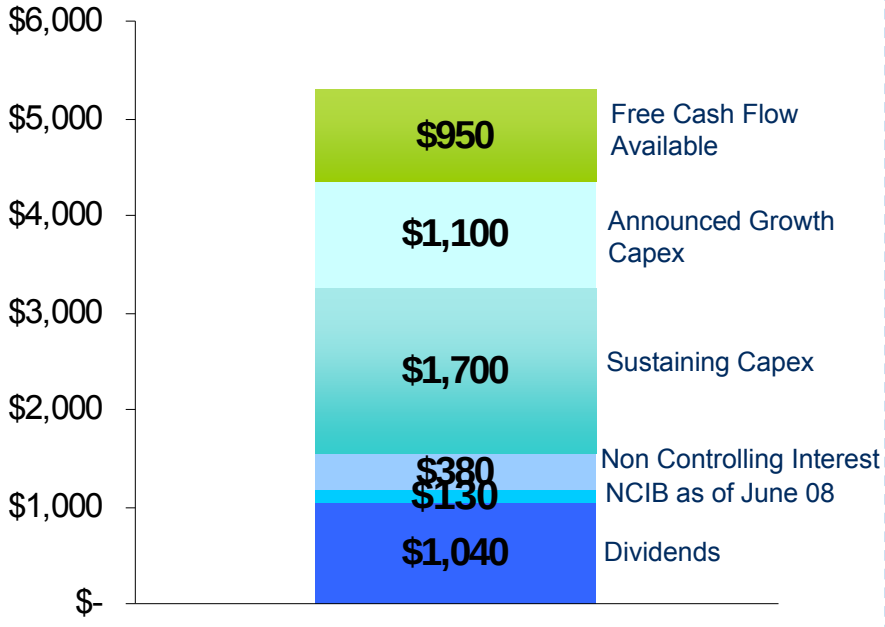
Cash flow from operations

Cash flow from operations exceeds sustaining capex and announced growth projects

SOURCES OF CASH FLOW
2008 - 2012
$5.3 Billion



USES OF CASH FLOW
2008 - 2012
$5.3 Billion



Asset divestitures supplement cash available

Balanced capital allocation expected to create consistent growth in shareowner value

Increasing capital efficiency is the focus of management and the Board

PRIORITY	DIRECTION	ACTION
Portfolio Optimization	Divest or improve non-core and under-performing assets	Mexico - PSA signed for USD $303.5M Sarnia - pursuing improved long-term contract Australia - potential for contract enhancements
Dividend	Provide shareowners sustainable dividend growth	▪ 2008 annual dividend increased 8% to $1.08 ▪ Board policy is to target a payout ratio of 60 - 70% of comparable EPS
Share Buyback	Provide shareowners incremental return of capital in absence of value-creating investment opportunities	▪ Under the NCIB program, 4 million shares cancelled year-to-date ▪ Future share buyback to be balanced against growth opportunities, liquidity requirements and base business investment
Growth Investment	Projects must deliver unlevered, free cash, after tax IRR >10%:	▪ 506 MW currently under construction for a total cost of ~$1.3 billion ▪ Current growth plan provides opportunity to invest additional $2.5 - $3.0 billion

Western-focused growth plans fuel earnings expansion beyond 2012

FOCUS

Short-term: 2008 - 2012

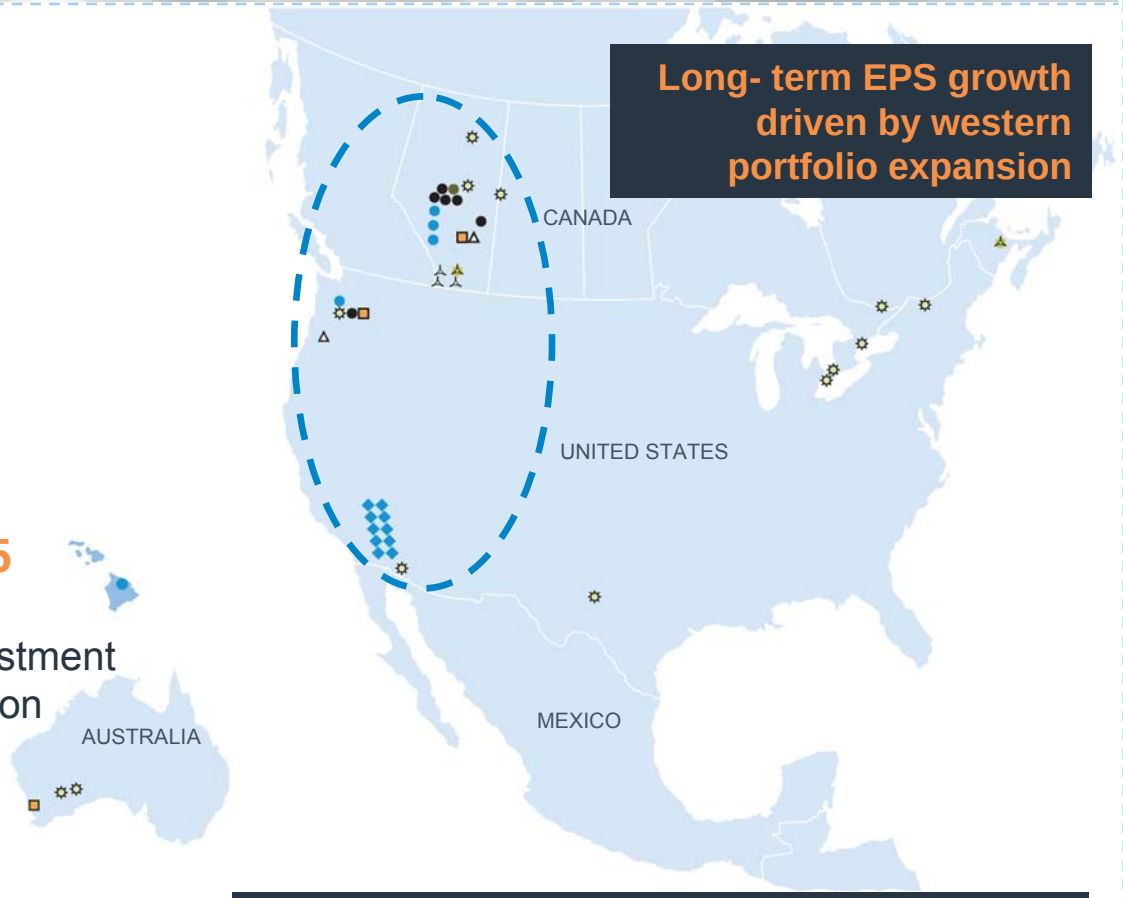
- Renewable growth in the west
  - Wind
  - Geothermal
- Co-generation in Alberta
- Thermal uprates
- CCS Pilot
- CO_2 offsets

Medium-term: 2013 - 2015

- Co-generation in Alberta
- Alberta Thermal life cycle investment
- Small hydro storage optimization
- CO_2 offsets

Longer-term: 2016+

- Coal with CCS
- Partner in large hydro
- Equity share in nuclear



Long- term EPS growth driven by western portfolio expansion

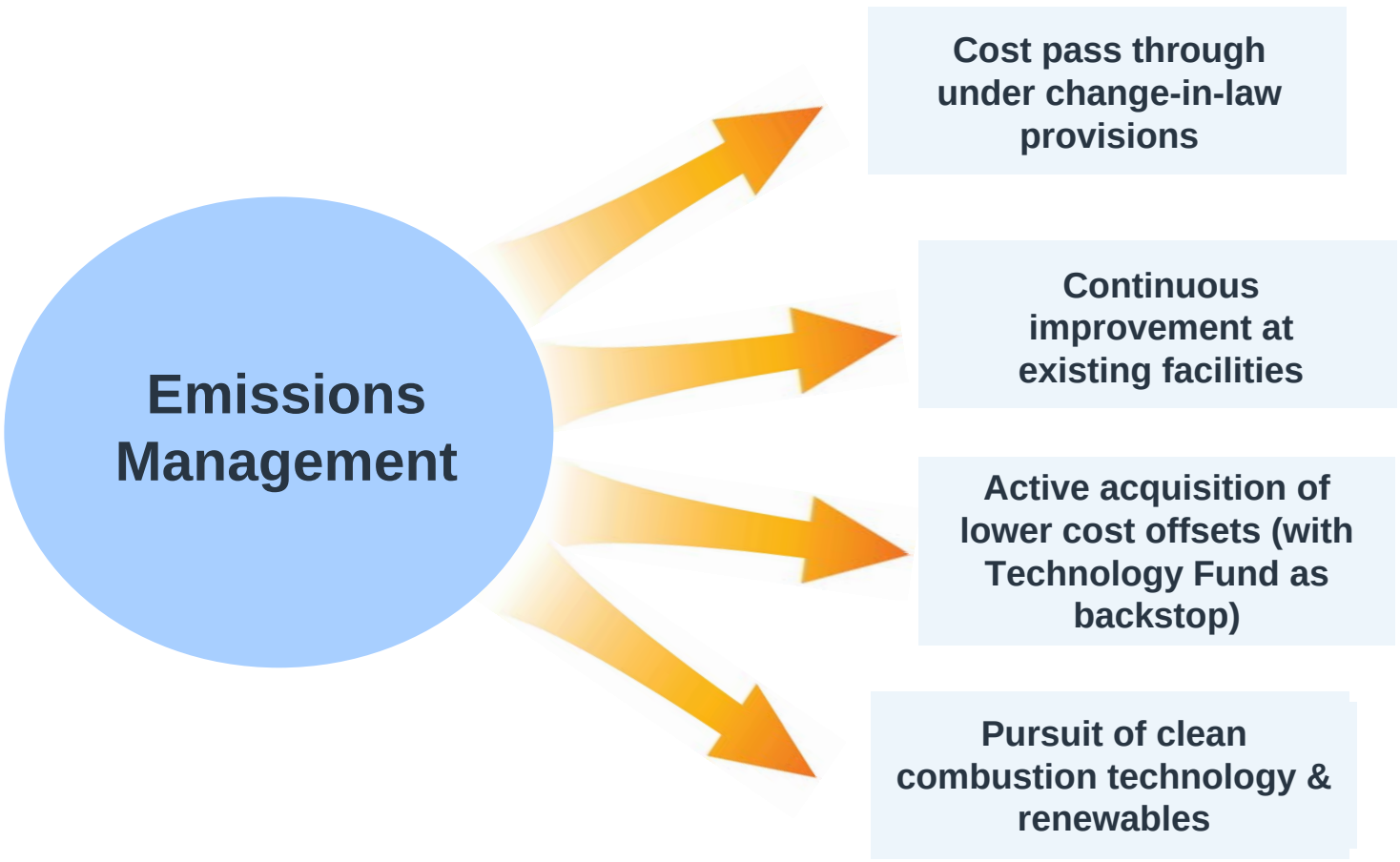
Geographic focus, contract and asset mix, and fuel selection dominate strategic choices

Development pipeline leverages expertise and focuses on renewables and cogeneration

	WIND	CO-GEN	HYDRO	GEOTHL	THERMAL	TOTAL Oct, 2008
						
AB	**844 MW**	**665 MW**	Storage rights optimization		**99 MW**	**1,608 MW**
NB	**83 MW**					**83 MW**
SASK	**99 MW**					**99 MW**
CA				**87 MW**		**87 MW**
Total MW:	**1,026 MW**	**665 MW**		**87 MW**	**99 MW**	**1,877 MW**
Total Est:						**$3.5 - $4.5B**

Environmental leadership

TransAlta is competitively positioned to mitigate emissions costs through early engagement, a portfolio of initiatives and pass through contracts



CCS Pilot: Project Pioneer

We are advancing Canada's first large-scale project to retrofit a power plant to capture and store 1M tonnes of CO_2 by 2012

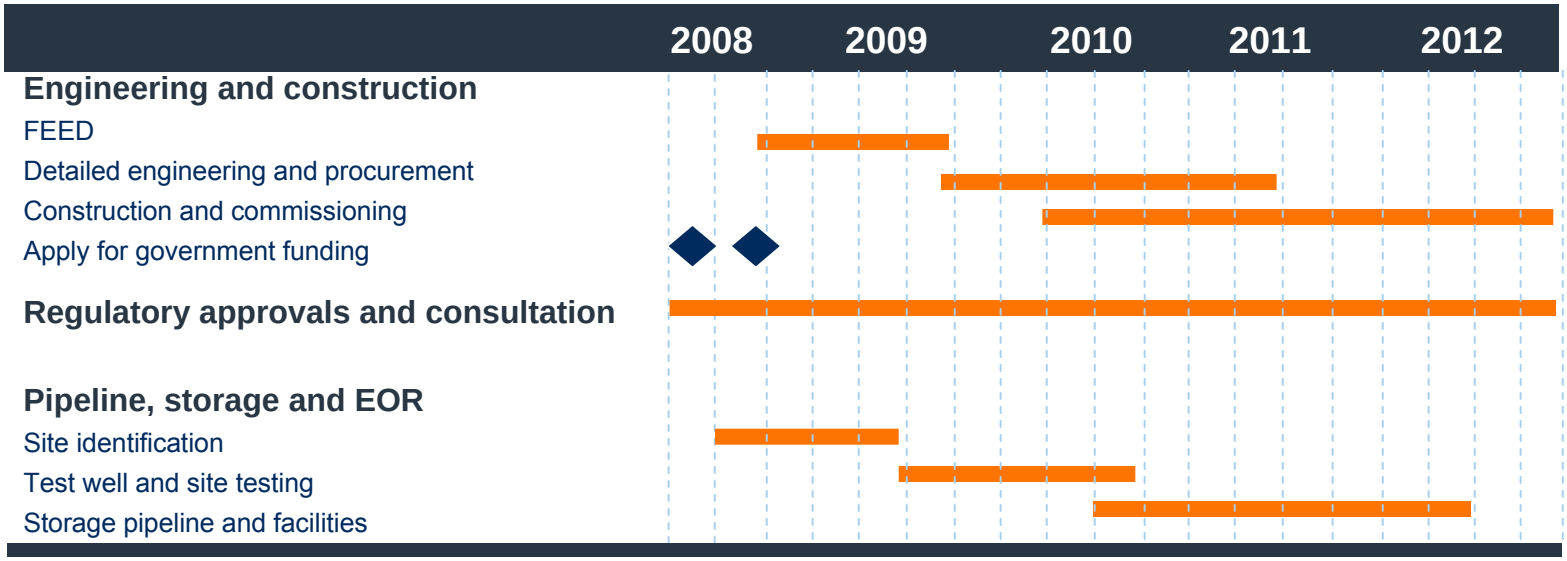
Project Pioneer

- Largest commercial scale pilot in North America
- First project in the world to have an integrated underground storage system
- Potential to remove 90% of CO_2 from emission stream

Dow Jones Sustainability Indexes
Member 2008/09

Key milestones ahead

- Government funding is critical Q1/09
- Additional industry partners will be brought into the project Q1/09
- Need to complete the engineering to finalize costs Q3/09



Investment highlights

On-track to deliver annual EPS and cash flow objectives; long-term value proposition remains

- Strong balance sheet, solid financial outlook and low to moderate risk business model; on-track to deliver annual financial objectives in 2008
- Market fundamentals for Western Canada and Western U.S. remain strong
  - Alberta reserve margins below 10%; strong pricing and new build opportunity
  - Western U.S. renewable portfolio standards require new build
- Disciplined and balanced capital allocation plan: dividends, share buy back, and growth; driving 10%+ IRR, ROCE and TSR to create near and long-term shareowner value
- Progressing on 500 MW of new capacity already under construction; 96 MW Kent Hills wind facility set to come online in late Q4 2008
- Timing of incremental renewable growth within our control given resource position and supplier relationships
- A leader in addressing environmental challenges; Project Pioneer CCS project a potential game changer

Appendix

Performance Goals

Objectives	Measures	2008 Goals	YTD 2008	Q3 2008
Achieve top decile operations	Availability	90 -92%	85.7%	86.0%
Make sustaining capex predictable	3-yr Avg. Sustaining Capex	$230 - $260	$294MM	$97MM
Improve Safety[1]	Injury Frequency Rate	10%/yr	40%	40%
Enhance Productivity	OM&A/installed MWh	Offset Inflation	$6.66/MWh	$6.97/MWh
Grow Earnings and cash flow	Comparable EPS Operating cash flow	>10%/yr $800 - $950 MM	32% $610MM	flat $202MM
Maintain investment grade ratings [1]	Cash flow to interest Cash flow to debt Debt to total capital	Min. of 4X Min. 25% Max. 55%	6.4X 30.4% 51.1%	6.4X 30.4% 51.1%
Deliver long-term shareowner value	IRR ROCE TSR	>10%/yr >10%/yr >10%/yr	Annual Metrics	Annual Metrics

[1] Annualized

Strong comparable earnings achieved year to date

Results	Q3'08	Q3'07	YTD Q3'08	YTD Q3'07
Revenue (MM)	$ 791	$ 711	$ 2,302	$ 1,992
Gross margin (MM)	$ 398	$ 375	$ 1,207	$ 1,109
Operating Income (MM)	$ 124	$ 128	$ 406	$ 357
Comparable Earnings (MM)	$ 62	$ 64	$ 210	$ 162
Comparable earnings per share	$ 0.32	$ 0.32	$ 1.06	$ 0.80
Net Earnings (MM)	$ 61	$ 66	$ 141	$ 179
Basic and diluted earnings per share	$ 0.31	$ 0.33	$ 0.71	$ 0.88
Cash flow from operating activities (MM)	$ 202	$ 156	$ 610	$ 655
Cash dividends declared per share	$ 0.27	$ 0.25	$ 0.81	$ 0.75
Availability (%)	86.0	85.1	85.7	85.6
Production (GWh)	12,357	12,761	36,235	36,955

Gross margin increases driven by both Generation and Energy Trading segments

Net Earnings	3 mo. Ended Sept. 30	9 mo. Ended Sept. 30
Net Earnings, 2007	$ 66	$ 179
(Decrease) / Increase in Generation gross margins	17	38
Mark-to-market movements - generation	-	21
Increase in COD gross margins	6	39
Increase in OM&A	(19)	(37)
Increase in depreciation expense	(8)	(13)
Gain on sale of mining equipment	(3)	(10)
(Increase) decrease in net interest expense	(5)	1
Decrease (Increase) in equity loss	3	(83)
Increase in non-controlling interest	(3)	(4)
Decrease in income tax expense	12	20
Other	(5)	(10)
Net Earnings, 2008	**$ 61**	**$ 141**

Free cash flow

	Q3 '08	Q3 '07	YTD Q3 '08	YTD Q3 '07
Cash flow from operating activities	$ 202	$ 156	$ 610	$ 655
Add/(Deduct):				
Sustaining capital expenditures	(97)	(117)	(294)	(238)
Dividends on common shares	(58)	(49)	(163)	(154)
Distribution to subsidiaries' non-controlling interest	(25)	(22)	(69)	(63)
Non-recourse debt repayments	(1)	(11)	(3)	(32)
Timing of contractually scheduled payments	-	87	(116)	-
Centralia closure costs	-	-	-	24
Cash flows from equity investments	(1)	2	2	10
Free cash flow	**$20**	**$46**	**$(33)**	**$202**

Sustaining capex supports operational objectives

Sustaining capital supports achievement of 92% fleet availability; includes inflation on equipment and higher labour costs

$M	2008e	2009e	2010e
Sustaining	**$440 - 480**	**$300 - 350**	**$270 - 315**
Major Maintenance	$110 - 120	$140 - 160	$130 - 150
Mine	$100 - 110	$40 - 50	$40 - 50
Routine	$160 - 175	$105 - 120	$100 - 115
Centralia Fuel Blend	$70 - 75	$15 - 20	

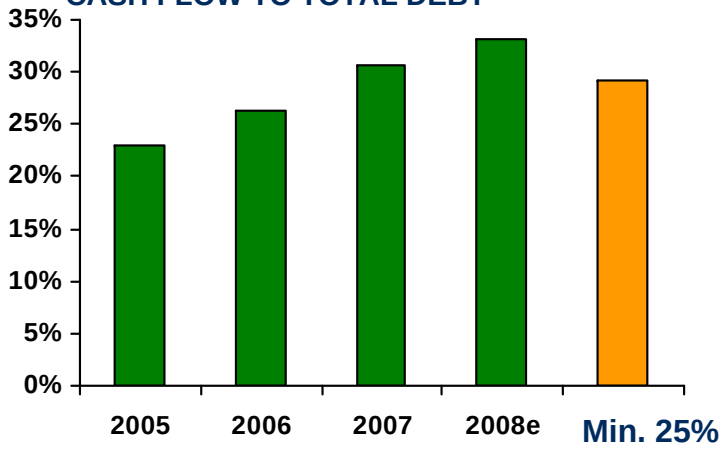
Growth capex spend on track

**Projects continue to track to schedule and budget;
Kenthills expected to come on line by the end of Q4**

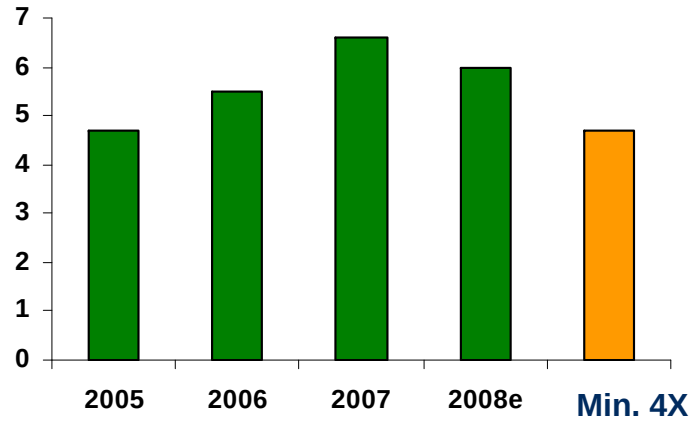
$M	2007	2008e	2009e	2010e	2011e
Growth	**$193**	**$510 - 550**	**$415 - 450**	**$95 - 115**	**$5 - 15**
Keephills 3	$160	$320 - 330	$205 - 215	$90 - 100	$5 - 15
Kent Hills	$29	$135 - 145			
Blue Trail		$20 - 25	$85 - 90		
Sun 5 Uprate	$4	$15 - 20	$50 - 60		
Summerview II		$20 - 30	$75 - 85	$5 - 15	

Strong balance sheet + stable credit ratios + solid liquidity = long-term financial stability

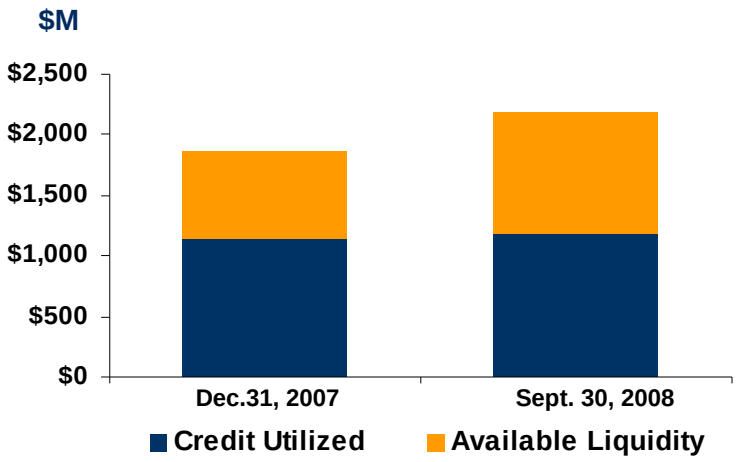
CASH FLOW TO TOTAL DEBT



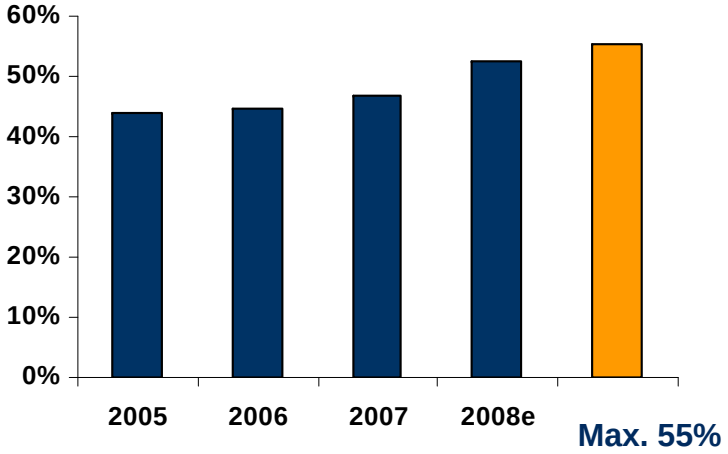
CASH FLOW TO INTERNET



LIQUIDITY



DEBT TO TOTAL CAPITAL



Minimal debt refinancing

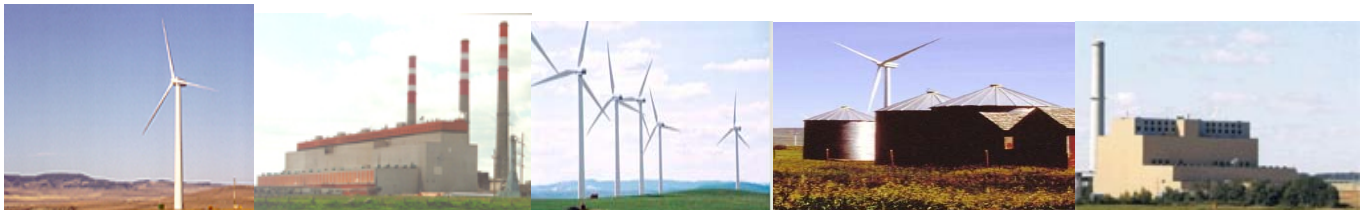
$M	2008	2009	2010	2011	2012	Thereafter	Total
TAU							
Secured Debentures	265[1,2,3]						265
TAC							
CDN MTN's		205		225		251	68
USD MTN's					315	840	1,155
Other	40	33	25	26	26	214	363
Total	**305**	**238**	**25**	**251**	**341**	**1,305**	**2,464**

1) On June 2, 2008, $115 million of debentures issued at a rate of 5.75 per cent by TAU matured.

2) On July 31, 2008, $100 million of debentures issued by TAU were redeemed by the holder of the debentures at a price of $98.45 per $100 of notional amount. The debentures had been issued at a fixed interest rate of 5.49 per cent and were to mature in 2023.

3) On Oct. 10, 2008, TAU redeemed and cancelled $50 million of its outstanding debentures by agreement with the holders of the debentures. The debentures were originally issued at a fixed interest rate of 5.66 per cent and were to mature in 2033.

Growth projects tracking to plan



Project	Kent Hills NB	Sun 5 Uprate Alberta	Blue Trail Alberta	Summerview II Alberta	Keephills III Alberta
Type	Wind	Efficiency Uprate	Wind	Wind	Supercritical Coal
Size	96 MW	53 MW	66 MW	66 MW	225 MW(1)
Total Project Cost	$170 MM	$75 MM	$115 MM	$123 MM	$815 MM
Expected Annual Revenues(2)	$20 - $30 MM	$30 - $40 MM+	$14 - $20 MM+	$14 - $20 MM+	$125 - $180 MM+
Commercial Operations Date	Q4 2008	Q3/Q4 2009	Q4 2009	Q1 2010	Q2 2011
Contract Status	100% Contracted	Merchant	Merchant	Merchant	Merchant
Unlevered after tax IRR	10%+	20%+	10%+	10%+	10%+
On time / On budget	Tracking	Tracking	Tracking	Tracking	Tracking

(1) 450 MW gross size
(2) Expected range based on $70-$100+/MWh

Genesee III – Case Study

The Right Market & The Right Investment

Alberta Market (2003)		Genesee III
Need for Supply as it starts to lag behind Demand	→	225 MW(2) Supercritical Coal Brownfield Expansion 50:50 JV agreement with EPCOR
Reserve margins forecasted to decline (15% in '03 declining to ~10% in the 2006 – 2007 period)	→	Reserve margins providing support for higher future pricing
Price fundamentals $40/MWh - $55/MWh (2003-2006)	→	Forward price curves based on market fundamentals support 10%+ IRR (after-tax, free cash flow)

Genesee 3 - 2005

Capital Investment: $357M(1)

Estimated IRR: 15%+

Current forward market prices driving significantly higher returns

(1) Total disclosed cost was $695 million
(2) 450 MW gross

Keephills III – Case Study

The Right Market & The Right Investment

Alberta Market (2007)	Keephills III
Supply continues struggle to keep pace with demand. Peak demand growth 3.2%; supply growth 3.1%	225 MW(2) Supercritical Coal 50:50 JV agreement with EPCOR
Reserve margins continue to tighten; estimated at less than 5% by 2010 – net importer status	No other significant new build under construction
Prices have shifted from $40-55/MWh (2003) to $70-85/MWh range (2007-2010)	Direction of the market and new forward price curves more than support investment decision
2011-2020 forecasts showing ~$80 to $100+/MWh pricing in the market	10%+ IRR (after-tax, free cash flow)

Keephills 3 - 2011

Capital Investment: $815M(1)

Estimated IRR: 10%+

(1) $1.6B total cost (Includes Mine Capital)
(2) 450 MW gross

2008 - 2013 Development plan

Projects Announced

LOCATION	PROJECT	CAPACITY MW	FUEL TYPE	RESOURCE & SITE CONTROL	ENVIRONMENTAL PERMITS Applied	ENVIRONMENTAL PERMITS Secured	TURBINE SECURED	TOTAL PROJECT COST	PPA / LTC	TARGET COMMERCIAL OPERATION DATE
New Brunswick	Kent Hills	96	Wind	✓		✓	✓	$170	PPA/LTC	2008
Alberta	Blue Trail	66	Wind	✓		✓	✓	$115		2009
Alberta	Sundance 5	53	Coal	✓		✓	✓	$75		2009
Alberta	Summerview II	66	Wind	✓		✓	✓	$123		2010
Alberta	Keephills 3	225	Coal	✓		✓	✓	$815		2011
	TOTAL MW:	**506**					**TOTAL COST:**	**$1.3B**		

Projects in Advanced Development

LOCATION	PROJECT	CAPACITY MW	FUEL TYPE	RESOURCE & SITE CONTROL	ENVIRONMENTAL PERMITS Applied	ENVIRONMENTAL PERMITS Secured	TURBINE SECURED	CAPEX RANGE $/KW	PPA / LTC	TARGET COMMERCIAL OPERATION DATE
Alberta	Sundance 3	53	Coal	✓	✓			$1,250 - $1,700		2012
Alberta	Keephills uprate	23	Coal	✓	✓			$1,250 - $1,700		2011
Alberta	Keephills uprate	23	Coal	✓	✓			$1,250 - $1,700		2012
Alberta	AB - 1	69	Wind	✓	✓		In Progress	$1,900 - $2,100		2011
Alberta	AB - 2	300	Wind	✓	✓		In Progress	$1,900 - $2,100		2011
Alberta	Cogen - 1	535	Cogen	In Progress				$1,500 - $2,000	Partial	2013
Alberta	Cogen - 2	55*	Cogen	In Progress				$1,500 - $2,000	PPA/LTC	2012
Saskatchewan	ANEDC	99	Wind	✓	✓		In Progress	$1,800 - $2,100	PPA/LTC	2011
New Brunswick	NB - 1	27*	Wind	✓	✓		In Progress	$2,300 - $2,600	PPA/LTC	2010
New Brunswick	NB - 2	29*	Wind	✓	✓		In Progress	$2,300 - $2,600	PPA/LTC	2010
New Brunswick	NB - 3	27*	Wind	✓	✓		In Progress	$2,300 - $2,600	PPA/LTC	2010
California	Black Rock 1*	87*	Geothermal	✓		✓		$4,000 - $5,000	PPA/LTC	2012
** 50/50 with partners*	**TOTAL MW :**	**1,327**					**TOTAL COST:**	**$2.5 B - $3.0B**		

Projects in Earlier Development

LOCATION	PROJECT	CAPACITY MW	FUEL TYPE	RESOURCE & SITE CONTROL	ENVIRONMENTAL PERMITS Applied	ENVIRONMENTAL PERMITS Secured	TURBINE SECURED	CAPEX RANGE $/KW	PPA / LTC	TARGET COMMERCIAL OPERATION DATE
Alberta	AB - 3	25	Wind	✓	✓		In Progress	$1,900 - $2,100		2012
Alberta	AB - 4	250	Wind	✓	✓		In Progress	$1,900 - $2,100		2014
Alberta	AB - 5	200	Wind	✓	✓		In Progress	$1,900 - $2,100		2014
Alberta	Cogen - 3	75*	Cogen	In Progress				$1,500 - $2,000	Partial	2011
** 50/50 with partners*	**TOTAL MW :**	**550**					**TOTAL COST:**	**$1.0 B - $1.5B**		

Alberta - First GHG compliance successfully completed

The majority of environmental costs are flowed through to PPA holders under change of law provisions. Alberta consumers' electricity price will reflect higher cost of compliance

Alberta Climate Change Regulation

Emissions intensity reduction by 12%; plant-by-plant
- Baseline is avg. of emissions from '03 – '05

Compliance options:
- Reductions at the source
- Payment into a Technology Fund at a cost of $15/ tonne of emissions over 12% target
- Application of emissions offsets from AB market

Plants commercially operational after 2000 given an eight-year phase-in period
- Three years no reductions
- Five years gradual reductions to achieve 12% target

Vast majority of compliance by large emitters in 2007 was achieved using the technology fund
- Only a handful of companies used offsets to reduce their cost generated from seven offset projects

Impact on TransAlta

Tough standard but achievable over time

Annual compliance cost within expectations

Capital stock turnover will create opportunities
- Existing and new wind and cogen assets create offsets reducing over all compliance costs

Province is the appropriate regulator, they know the sector and our business

All cogen plants and G3 are in the 8 yr phase in period and have reduced targets

2007 compliance achieved using offsets acquired at a cost significantly below $15/T
- Bank of offsets established for future compliance as well

Federal framework is tougher and requires more expensive compliance options than Alberta

Near-term compliance through purchase and trading of offsets and credits. Investment in new technologies key for long-term

Proposed Greenhouse Gas Regulation

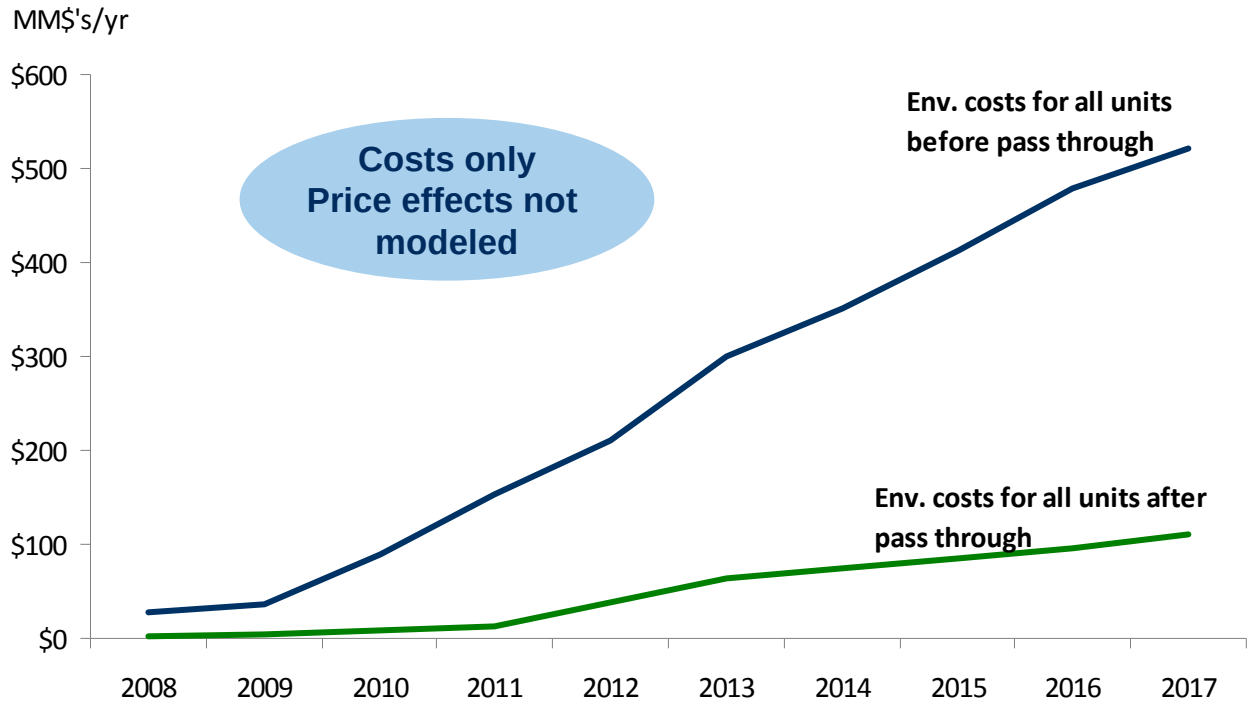
- Existing plants: 18% intensity reduction starting in 2010, increasing at 2%/yr until 2020
- In 2020, a 20% absolute reduction in emissions will be required
- New plants: 3 yrs at zero, then increasing 2%/yr until 2020, plus subject to a clean fuel standard
- New coal-fired plants built after 2012 will be required to have carbon capture and storage implemented by 2018. Note: This will not affect our K3 project
- Cogeneration is given favourable treatment
- The electricity sector will be able to comply on a fleet-wide basis rather than plant-by-plant

In addition, reductions in air pollutants will also be required, although the targets and approach have not yet been determined

Fleet costs from environmental regulation

In the next decade, over 75% of emissions compliance costs are transferred by pass through mechanisms; shareowners are protected

ENVIRONMENTAL OPERATING COST FORECAST



Compliance cost forecasts include all emissions - GHG's, NOx, SO2 and mercury, with the vast majority being GHG's.

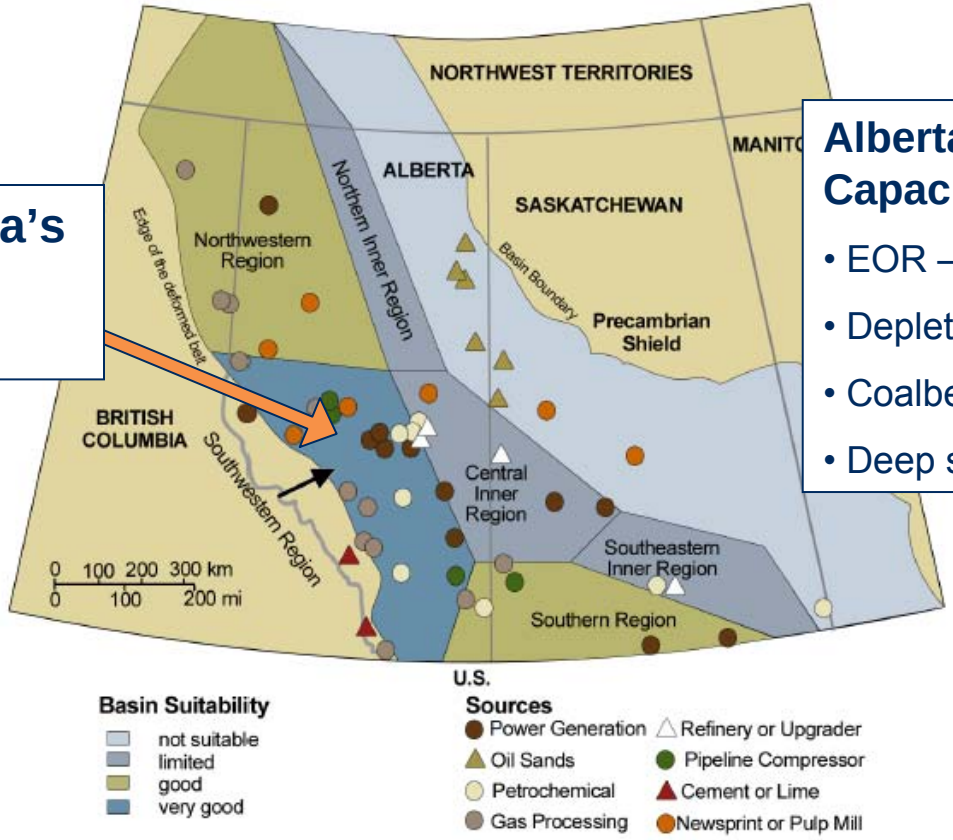
Capital costs are not included since the targets and schedules for NOx and SO2 are not yet established. Regardless, over 85% of those costs would also be transferred by pass through mechanisms.

Alberta has significant sequestration capacity

TransAlta's plants are located above geology that is capable of storing CO_2

TransAlta's Thermal Fleet

Figure 3.6 Major CO_2 Sources in the Western Canada Sedimentary Basin



(Source: Bachu and Stewart, 2002)

Alberta CO_2 Sequestration Capacity:

- EOR – 1,000 Mt
- Depleted reservoirs – 3,000 Mt
- Coalbed methane resources – 5,000 Mt
- Deep saline aquifers – 10,000 Mt