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Annual Report
2006



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On the cover, fall staging of sandpipers in Nunavik.
Photo credit: Miroslav Chum

Other photo credits are listed at the end of the document.

Message from Management

The Fondation Hydro-Québec pour l'environnement embodies Hydro-Québec's intention to contribute to society by supporting the restoration and long-term protection of the environment. In the spirit of sustainability, it favors projects that focus on local communities' stewardship of their natural environment.

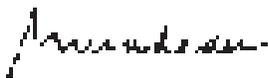
In 2006, the Foundation received 82 proposals and selected 22 projects, providing over \$1 million of funding in 11 of Québec's administrative regions. Since its inception in 2000, 92 projects have benefited from its financial support.

Many of this year's projects focused on the restoration and enhancement of rivers and lakes located as far north as Nunavik and as far south as the U.S. border. Whether in urban, rural, recreational or agricultural areas, most of these initiatives combined field work with educating users and residents whose everyday activities have an impact on the quality of lakes, rivers and aquatic habitats. This category of projects accounted for nearly half of the funding allocated by the Foundation in 2006.

Almost one quarter of the Foundation's grants supported projects to protect and enhance land and forest environments, mainly in Montérégie, where the rapidly dwindling forest cover is a concern for many of our partners.

This annual report will give you an overview of the admirable work done by the organizations that we support. We are proud to be associated with their projects and pleased to be able to join them in contributing to the preservation of Québec's natural heritage.

We would also like to acknowledge the contribution of the members of the Foundation's Board of Directors and the advisory committee experts who inform the Board's decisions. Special thanks to Louis Aubry, Carminé De Benedictis and Andrée Turcot, three directors whose terms end this year, for their steadfast commitment to environmental protection.



Marie-José Nadeau
President
Fondation Hydro-Québec pour l'environnement



Catherine Leconte
Executive Director
Fondation Hydro-Québec pour l'environnement

Mission

The Fondation Hydro-Québec pour l'environnement is a nonprofit organization whose mission is to help Québec communities develop a sense of ownership of their environment, enjoy it responsibly and pass on their natural heritage to future generations.

Objectives

The Foundation funds concrete initiatives that have positive environmental and social impacts and that serve the interests of local communities throughout Québec. It partners with local organizations on projects designed to

- protect, restore and enhance natural environments, and
- educate target publics about local environmental issues.

These two objectives go hand in hand: a protection or rehabilitation project will have no future if the people likely to have impacts on the site do not feel involved in the project's environmental issues. On the other hand, the message of an awareness-raising or educational activity will go unheeded if it does not give people the means to make a difference in their environment.

Educating the public about general environmental issues is not part of the Foundation's mission; we support projects that are likely to have direct impacts on specific natural areas. Educational projects satisfy this criterion if their goal is to change the behavior of clearly defined target publics in their use of the natural environments in their region.

Principles

- Support local initiatives that reflect the desire of local communities to take charge of their environment
- Focus on joint projects that have the active support of a number of partners
- Fund initiatives with positive and tangible environmental and social impacts

Conditions of Participation

The following are eligible for a grant from the Foundation, within the limits of the funds allocated each year by Hydro-Québec:

- Any charitable or nonprofit organization having offices in Canada and able to show that its project is not personal or lucrative in nature but serves the interests of the communities involved
- Any project that is in line with the Foundation's mission and principles and that contributes to the achievement of its objectives.



**Breakdown of our contributions
(2001–2006)***

St. Lawrence Lowlands	\$1,955,677
Appalachians	\$1,200,719
Estuary and Gulf of St. Lawrence	\$876,571
Southern Laurentians	\$416,288
Central Laurentians	\$414,502
Lower North Shore Plateau	\$73,800
Abitibi and James Bay Lowlands	\$70,550
Mistassini Highlands	\$68,902
Ungava Basin	\$34,300

* Map of the Ecological Reference Framework adopted by the government of Québec.



Review of Operations

In 2006, the Foundation funded 22 projects of nonprofit organizations working to conserve and enhance Québec's natural heritage. These organizations help to protect fragile species, preserve their habitats, and make local communities aware of environmental issues related to their surroundings.

Since it began operation in 2001, the Foundation has contributed over \$5 million to projects in all the administrative regions of Québec. The total value of the projects is estimated at close to \$20 million.

The projects supported in 2006 were selected on the basis of the new approach introduced in 2005, which focuses on community stewardship of the natural environment. The projects, described on the following pages, are divided into four classes: three reflect the types of natural environments targeted by the Foundation and the fourth is for environmental education and awareness.

Grant Distribution by Class

	Number of Projects		Amount Granted to Partners (\$)	
	2006	Since 2001	2006	Since 2001
Lands and forests	5	22	231,550	1,226,808
Rivers and lakes	9	28	449,250	1,693,633
Wetlands	4	27	185,200	1,670,998
Education and awareness	4	15	143,330	457,164
Total	22	92	1,009,330	5,048,603



Protection, restoration and enhancement of lands and forests

In 2006, the Foundation supported five projects in this class. All involved enhancement and measures to reduce the impacts of human use of the sites concerned. Two projects also included restoration.

Protection, restoration and enhancement of rivers and lakes

The Foundation has funded 28 projects in this class over the past six years, including nine in 2006. These initiatives were aimed either at protecting water resources or at restoring or developing riparian environments or river stretches. Of the 113 rivers and lakes targeted since 2001, some have benefited from several projects over the years, but have been counted only once in the total.

Protection, restoration and enhancement of wetlands

Since 2001, the Foundation has supported 27 projects involving wetlands (marshes, bogs, lagoons, flooded forests and shorelines). In 2006 there were four projects: these involved land acquisition, site restoration and enhancement, and they contributed to the preservation of 182 hectares of wetlands.

Education and awareness

Since its creation, the Foundation has supported 15 education and awareness projects dealing with local environmental issues, including four in 2006. The projects in this class are all related to one or more natural environments, and are intended to stimulate people's interest in their surroundings and encourage them to behave responsibly in natural environments where their presence is likely to be felt.

Lands and Forests That Have Benefited from Action by Foundation Partners

Year	Area (ha)
2006	111
Total since 2001	1,511

Rivers and Lakes That Have Benefited from Action by Foundation Partners

Year	Number of Rivers	Number of Lakes	Total Number of Rivers and Lakes
2006	17	7	24
Total since 2001	53	60	113

Wetlands That Have Benefited from Action by Foundation Partners

Year	Area (ha)
2006	182
Total since 2001	5,488

Educational Projects

Year	Number of Projects	Projects Related to Lands and Forests	Projects Related to Wetlands	Projects Related to Rivers and Lakes
2006	4	–	3	2
Total since 2001	15	5	9	8

Foundation's Contribution to the Protection of Plant and Animal Species in 2006

2006 – Number of Projects Supported – Threatened or Vulnerable Species

	Species	Status	Number of projects	Partners in 2006
Plants	Canadian maidenhair fern	v	1 ^[e]	[a] Nature Conservancy of Canada (Lake Saint-Pierre archipelago)
	wild garlic	v	1 ^[g]	
	puttyroot	t	1 ^[b]	
	Canada wild ginger	v	1 ^[e]	
	green dragon	t	1 ^[a]	[b] Nature Conservancy of Canada (Missisquoi Bay)
	white wood-aster	t	1 ^[b]	
	large toothwort	v	1 ^[l]	[c] Municipality of Saint-Hugues: Comité du parc de la Seigneurie-de-Ramezay
	Victorin's water hemlock	t	1 ^[l]	
	Parker's pipewort	t	1 ^[l]	
	Victorin's gentian	t	1 ^[l]	
	American ginseng	t	3 ^[b, e, h]	
	Canada lily	v	1 ^[k]	[d] Parc Nature de Pointe-aux-Outardes
	ostrich fern	v	1 ^[g]	
	rock elm	t	1 ^[l]	[e] Centre d'interprétation du milieu écologique du Haut-Richelieu (CIME)
	pitch pine	t	1 ^[b]	
	bog fern	t	1 ^[b]	
	large-flowered bellwort	v	1 ^[e]	
	Provancher's fleabane	t	1 ^[l]	
	blunt-lobed cliff fern	t	1 ^[b]	[f] Conseil de bassin de la rivière des Escoumins (CBRE)
	American shad	v	1 ^[l]	
Fish	copper redhorse	t	1 ^[a]	[g] Société de conservation du corridor naturel de la rivière au Saumon (SCCNRS)
	anatum peregrine falcon	v	1 ^[d]	
Birds	bald eagle	v	1 ^[k]	[h] Mont Saint-Hilaire Nature Centre
	eastern milksnake	t	1 ^[e]	
Reptiles	wood turtle	v	2 ^[g, k]	
	common map turtle	v	2 ^[b, j]	
	eastern spiny softshell turtle	t	2 ^[b, j]	
Number of species	27			

t Threatened species (extirpation feared)
v Vulnerable species (at risk, extirpation not expected)

[i] Les Amis de la Réserve nationale de faune du lac Saint-François
[j] Conservation Baie Missisquoi

2006 – Number of Projects Supported – Species Likely to Be Designated Threatened or Vulnerable

	Species	Number of projects	Partners in 2006
Plants	Allegheny vine	1 ^[b]	[k] Municipality of Irlande
	round-leaved serviceberry	1 ^[e]	
	small beggar-tick	1 ^[b]	[l] Nature Conservancy of Canada (Ross Cove and Saint-Vallier Point)
	Eaton's beggar-tick	1 ^[l]	
	Appalachian sedge	1 ^[e]	[m] Comité de valorisation de la rivière Beauport
	broad-leaved sedge	1 ^[b]	
	Back's sedge	1 ^[e]	
	Hitchcock's sedge	1 ^[e]	
	oval-headed sedge	1 ^[e]	
	white swamp oak	2 ^[b, c]	
	white oak	1 ^[c]	
	Clinton's wood fern	1 ^[g]	
	black maple	1 ^[b]	
	creeping love grass	1 ^[b]	
	riverbank wild rye	1 ^[g]	
	northern willow-herb	1 ^[l]	
	white wild licorice	1 ^[e]	
	Tuckerman's gillwort	1 ^[l]	
	false pimpernel, estuarine variety	1 ^[l]	
	small-flowered lipocarpha	1 ^[b]	
	Laurentian water horehound	1 ^[b, l]	
	hackberry	1 ^[c]	
	yellow water buttercup	1 ^[b]	
	mild smartweed	1 ^[g]	
	water smartweed	1 ^[l]	
	bloodroot	1 ^[g]	
	Virginia chain fern	1 ^[b]	
	Columbia watermeal	1 ^[b]	
	eastern wild rice, estuarine variety	1 ^[l]	
	Birds	Nelson's sharp-tailed sparrow	1 ^[k]
		Barrow's goldeneye	1 ^[l]
		cerulean warbler	1 ^[b]
least bittern		2 ^[a, b]	
Reptiles	eastern milksnake	1 ^[b]	
	pickereel frog	3 ^[b, h, k]	
Amphibians	northern dusky salamander	1 ^[m]	
Number of species	36		

Protection of threatened and vulnerable species or species likely to be so designated

In 1996, the Québec government adopted a biodiversity strategy and action plan, confirming its adherence to the principles and objectives of the United Nations Convention on Biological Diversity.¹ The Foundation participates in the follow-up to this action plan by compiling the data supplied by its partners on the species and ecosystems involved in their projects.

In 2006, 27 species designated threatened or vulnerable, according to the classification in the *Act respecting threatened or vulnerable species*,² benefited from projects set up by organizations supported by the Foundation.

In all, since 2001, the Foundation has contributed to the survival of 39 of the 77 plant and animal species designated threatened or vulnerable under the Act. To this list should be added a species considered extirpated from Québec since 1965: the striped bass. From 2003 to 2005, the Foundation supported a project to reintroduce this fish into the St. Lawrence River, using stocks imported from New Brunswick.

The projects selected in 2006 helped to protect 36 species likely to be designated threatened or vulnerable because of the precariousness of their habitat.

1. Adopted in June 1992 at the Earth Summit in Rio de Janeiro, the Convention on Biological Diversity was ratified in December 1993 by some 30 countries and over 150 more have ratified it since then. This international agreement gives equal importance to the sustainable use of resources and to conservation. It covers the entire living world, not just wild plants and animals.
2. Adopted by the Québec government in 1989, the *Act respecting threatened or vulnerable species* provides for a designation process in which a *threatened* species is one whose extirpation is feared, and a *vulnerable* species is one whose survival is precarious, but for which extirpation is not expected.

**Number of Threatened or Vulnerable Species
Total for 2001–2006 Projects***

Extirpated community	1
Threatened or vulnerable species	39
Species likely to be designated threatened or vulnerable	91

* Each species is counted only once although some have benefited from several projects.

Common map turtle





Lands and Forests

- 1 Restoration and enhancement of the Mont Saint-Hilaire piedmont
- 2 Protection and enhancement of Mont Saint-Grégoire
- 3 Parc de la Seigneurie-de-Ramezay
- 4 Protection of Québec's southern forest
- 5 Restoration and enhancement of disturbed coastal ecosystems

Rivers and Lakes

- 6 Enhancement of Rivière à Mars ponds
- 7 Adaptation of a waterfall on the Curot River (Nunavik)
- 8 Enhancement of river biodiversity in farmland in the Rivière des Envies watershed
- 9 Streambank stabilization in Clarenceville
- 10 Enhancement of the eco-nautical map of Missisquoi Bay
- 11 Understanding Water, Protecting Water!
- 12 Rehabilitation of stretches of Rivière des Hurons and education of area residents
- 13 Restoration of aquatic habitat and protection awareness
- 14 Protection and enhancement of Parc de la rivière Doncaster

Wetlands

- 15 Protection and enhancement of natural environments at the mouth of the Rivière au Saumon
- 16 Protection and enhancement of fragile shoreline habitats on Ross Cove and Saint-Vallier Point
- 17 Conservation, restoration and enhancement of Dollard pond
- 18 Protection of a turtle egg-laying site

Education and Awareness

- 19 Protection of Barrow's goldeneye and its habitat on the upper North Shore, phase I
- 20 Education to counter the destructive use of ATVs in fragile environments
- 21 Where are the speckled trout hiding?
- 22 Environmental education about invasive non-native plants to protect the St. Lawrence wetlands

Locations
of Projects
Supported by
the Foundation
in 2006

• Chicoutimi
6

• Québec
12 13 16 16

• Trois-Rivières

• Montréal
1 2 3 15 22



Lands
and Forests

Rivers
and Lakes

Wetlands

Education and
Awareness

5
• Sept-Îles

20
• Baie-Comeau

• Gaspé

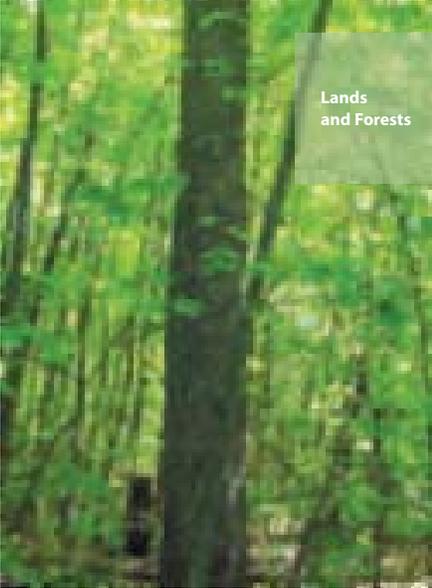
19

17

• Rimouski

• Rivière-du-Loup

7



Lands and Forests

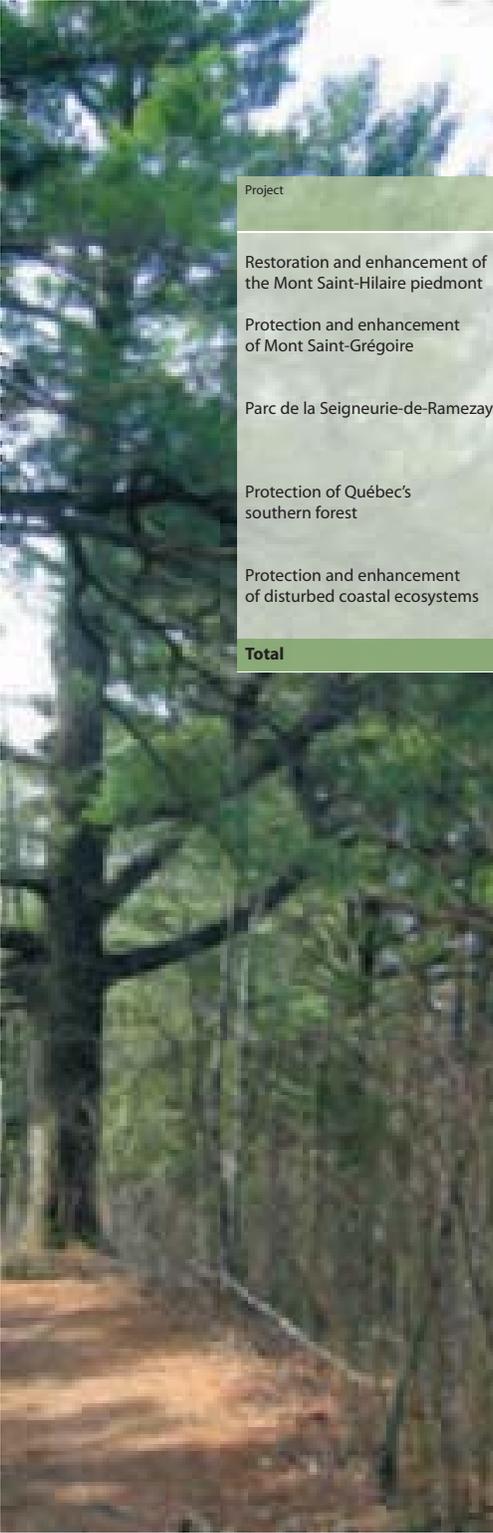
Natural environments in southern Québec are subject to pressures from many sources, especially the St. Lawrence lowlands, the most densely populated area in the province. In 2006, four of the five projects targeting forests were in the Montérégie region, which lost nearly 17,000 hectares of woodlands between 1992 and 2002.

The Mont Saint-Hilaire Biosphere Reserve, recognized by UNESCO in 1978, is an important part of Québec's natural heritage. The Mont Saint-Hilaire Nature Centre, in cooperation with local partners, endeavors to protect the reserve's ecosystems from the recreational abuses and real-estate development that are deteriorating the ability of the mountain's lower flanks to act as a critical buffer zone.

The project piloted by the Nature Centre is intended to halt fragmentation and fragilization of the piedmont over a total 26 hectares of natural environment, including 3.36 hectares of Exceptional Forest Ecosystems. Four kilometres of unauthorized trails will be closed, 4.5 hectares of disturbed land reforested and 3.36 hectares of degraded environment restored. These measures will be supported by information, awareness and stewardship activities for the 15,000 users of the land and the 60,000 area residents. Most of the land affected by the project is inside the future Falaise-de-Dieppe wildlife refuge. This refuge will preserve the plants on the steep rocky slopes and various species of wildlife, such as the peregrine falcon, Eastern towhee and Cooper's hawk.



White pine
Parc de la Seigneurie-de-Ramezay



Project	Area (ha)	Partner	Estimated Total Budget (\$)	Foundation Contribution (\$)
Restoration and enhancement of the Mont Saint-Hilaire piedmont	26	Mont Saint-Hilaire Nature Centre	244,800	112,200
Protection and enhancement of Mont Saint-Grégoire	45	Centre d'interprétation du milieu écologique du Haut-Richelieu (CIME)	65,800	49,000
Parc de la Seigneurie-de-Ramezay	7	Municipality of Saint-Hugues and Comité du parc de la Seigneurie-de-Ramezay	247,300	24,750
Protection of Québec's southern forest	5	Les Amis de la Réserve nationale de faune du lac Saint-François	33,200	23,100
Protection and enhancement of disturbed coastal ecosystems	3	Comité ZIP Côte-Nord du Golfe	66,600	22,500
Total	111⁽¹⁾		657,700	231,550

1. Includes 25 ha of forests on Saint-Vallier Point: Nature Conservancy of Canada project in the Wetlands class.

The disappearing forest cover in Montérégie also prompted the Centre d'interprétation du milieu écologique du Haut-Richelieu (CIME) to take action to protect Mont Saint-Grégoire and its three Exceptional Forest Ecosystems: two shelter forests and one rare forest. In January 2006, CIME purchased woodlots to expand the protected area on Mont Saint-Grégoire to 45 hectares. The project supported by the Foundation will preserve these acquisitions through structural and educational initiatives. To channel hiker traffic, a network of marked trails is planned, based on old roads leading from quarries that were abandoned some 30 years ago. A new educational program, encouraging hikers to leave no trace of their passing, should also help to reduce the trampling and flower-picking that damage the habitats of endangered plant species.

The Parc de la Seigneurie-de-Ramezay, previously known as the "Boisé des Sœurs", came into being when the residents of Saint-Hugues rallied to protect woodlands that were threatened by housing developments. Having obtained a grant under the Rural Pact, the municipality of Saint-Hugues bought farmland near the village, then mandated the Comité du parc de la Seigneurie-de-Ramezay to develop and implement a plan to protect and enhance the woodlands. The Foundation's financial support funded reforestation of three hectares, installation of nesting boxes, and development of walking trails and a nature trail. The banks of the Chibouet River, a Yamaska River tributary that crosses the park, were also replanted.

The Lac Saint-François National Wildlife Area (NWA), covering nearly 1,400 hectares, harbors some 600 species of plants and 300 species of animals and is considered a “wetland of international importance” according to the Ramsar Convention.¹ The organization that administers the NWA’s activity program, Les Amis de la Réserve nationale de faune du lac Saint-François, wants to educate visitors about the economic and environmental importance of Québec’s southern forests. With the Foundation’s help, the organization is preparing a program for local schools which involves reforesting the surrounding areas and building a trail through a maple and hickory wood where people can appreciate the beauty of Québec’s southern forests. Educational tools will also be developed to encourage visitors to preserve forests, for example by planting trees on their own property.

The fifth project supported by the Foundation is in the North Shore region and involves the shoreline between Port-Cartier and Natashquan. All-terrain-vehicle (ATV) traffic in sand dunes compacts the soil and prevents the regrowth of any vegetation. Without plant cover to secure the soil, the dunes and embankments deteriorate and coastal erosion accelerates. The Comité ZIP Côte-Nord du Golfe has already conducted awareness campaigns among adults and secondary-school students to show them the impacts of their behavior on the dune ecosystem. The Foundation’s help will enable them to develop an educational program for third-cycle elementary-school students (equivalent to grades 5 and 6).

The project’s objective is to introduce the children to the coastal ecosystem, educate them about the impacts of such activities as off-roading on this fragile environment, inspire them to take action, and give them the means to do so. The students will have an opportunity to participate in a restoration activity, planting American dune grass on disturbed sites. Sites will be selected jointly by the ZIP committee and the participating municipalities, which will have to commit to monitoring the health of the planted sites and enforcing regulations on shore preservation.

1. The Convention on Wetlands, signed in 1971 in Ramsar, Iran, is an intergovernmental treaty which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources. There are 154 Contracting Parties to the Convention, with 1,651 wetland sites totaling 149.7 million hectares designated for inclusion in the Ramsar List of Wetlands of International Importance.



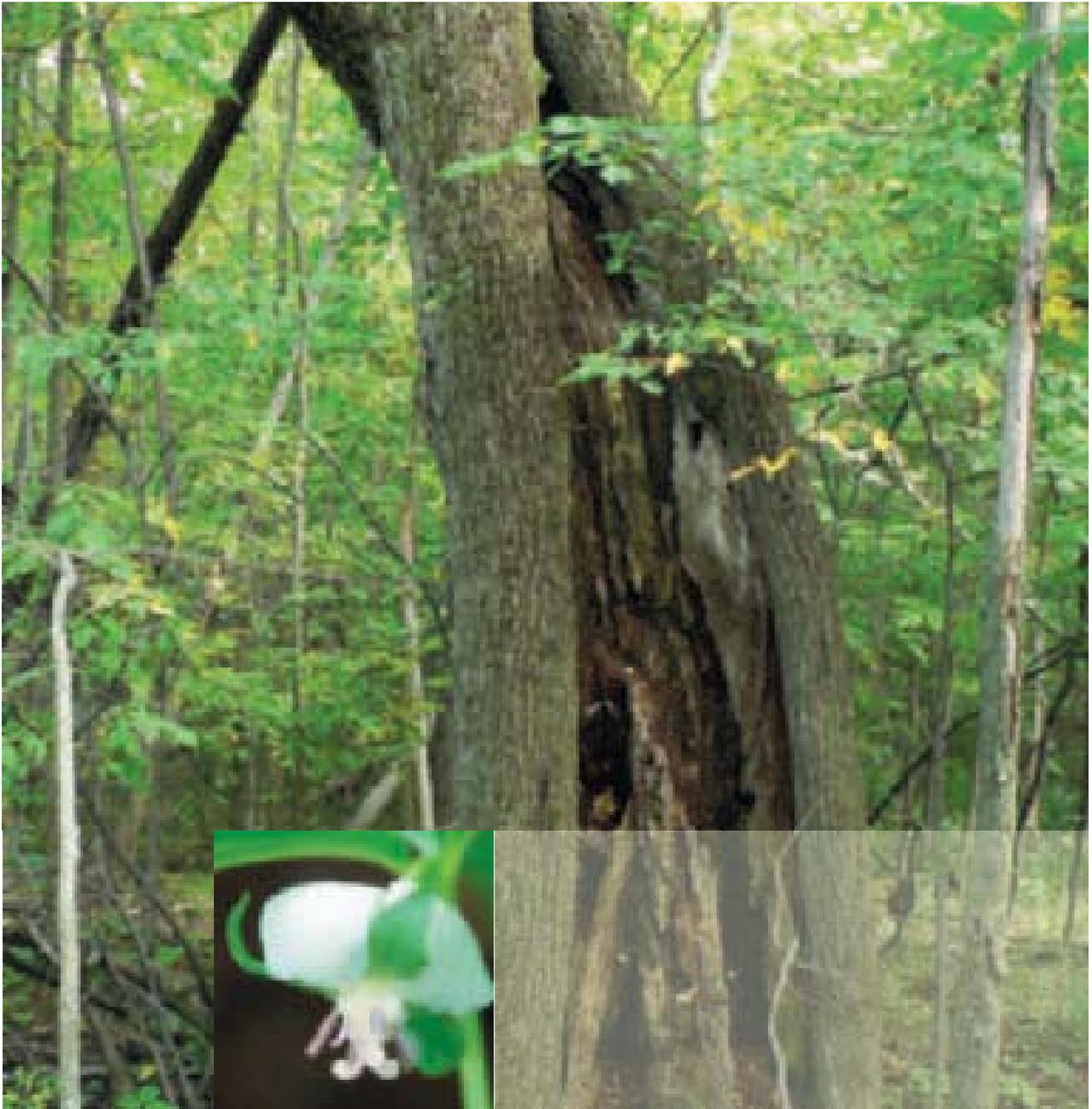
Wild columbine



Mont Saint-Grégoire



Eastern milksnake



American linden
Lac Saint-François
National Wildlife Area

Nodding trillium



Rivière des Envies
Sainte-Thècle

The torrential rains that flooded the Saguenay area in 1996 scoured away all the soil in the Rivière à Mars valley; as a result, vegetation could not regenerate. The change in the river's profile for a 4-km stretch on either side of the main riverbed left a chain of 14 ponds in what had been branches of the river. The water in these ponds is often too warm for aquatic wildlife, mainly because of a lack of shade. An ambitious vegetation engineering project involving soil amendment and planting of 3,750 trees and shrubs will speed up the natural restoration of the pond ecosystem. The objective is to restore shade, shelter and food for birds, amphibians and fish. This helping hand for nature, jointly funded by the Foundation and the city of Saguenay, will also restore green space that the residents of La Baie can enjoy.

In Nunavik, the project supported by the Foundation consists of opening a passage through the rock on the Curot River to enable Arctic char to ascend a two-metre-high waterfall during the spawning season. This will increase the potential for char production and should lead them to colonize the upper stretch of the river, near Kuujuaq.

Rivers and Lakes

The project will help the Inuit communities, which are experiencing a major population boom, to maintain their lifestyle and traditional diet. Care was taken during the opening of the passage not to disturb the natural environment.

Among the tributaries of the Batiscan River, the Rivière des Envies in the Mauricie region has the worst water quality. At the head of the watershed, in about 43 km² of heavily wooded farmland, the Foundation will fund bank stabilization and protection of riparian property, the creation of wooded corridors and enhancement of riparian wildlife habitats and farm woodlots. This extensive project, designed by the Université du Québec à Trois-Rivières with the participation of about 30 farmers, is part of the biodiversity enhancement program for rivers in agricultural zones set up jointly by the Union des producteurs agricoles and the Fondation de la faune du Québec. The project has three objectives: to increase water quality and biodiversity in the river, improve farming practices, and educate the public to protect river environments.



Nunavik landscape
with cottongrass

On a much more modest scale, the project undertaken by the Conservation Baie Missisquoi consists of involving farmers and volunteers in streambank stabilization and revitalization in Clarenceville. The work funded by the Foundation will be done above the Chapman Bay wetland, which is home to common map turtles and eastern spiny softshell turtles. The objective is to reduce phosphorus input into Missisquoi Bay and stop the proliferation of cyanobacteria, blue-green algae that are detrimental to wildlife and the drinking water supply, and prevent recreational enjoyment of the water.

The Foundation will also support an awareness project to encourage boaters to respect the Missisquoi Bay shoreline and habitats. Signs set up at various boat-launch points will display information from the "eco-nautical" map produced by the Corporation Bassin Versant Baie Missisquoi, including explanations of the bank erosion problem and the proliferation of harmful species, sensitive areas to avoid and places where low speed is recommended, onboard sanitary measures, and so forth.



Project	Number of Rivers and Lakes	Partner	Estimated Total Budget (\$)	Foundation Contribution (\$)
Enhancement of Rivière à Mars ponds	1 river	Comité ZIP Saguenay	499,800	139,300
Adaptation of a waterfall on the Curot River (Nunavik)	1 river	Nayumivik Landholding Corporation	120,300	24,300
Enhancement of river biodiversity in farmland in the Rivière des Envies watershed	10 rivers 5 lakes	Fédération de l'UPA de la Mauricie (FUPAM)	662,300	151,050
Streambank stabilization in Clarenceville	1 stream	Conservation Baie Missisquoi	15,000	5,200
Enhancement of the eco-nautical map of Missisquoi Bay	1 lake	Nature Conservancy of Canada	23,100	11,400
Understanding Water, Protecting Water!	1 lake	Nature Conservancy of Canada	170,700	50,200
Rehabilitation of stretches of Rivière des Hurons and education of area residents	1 river	Association pour la protection de l'environnement du lac Saint-Charles et des Marais du Nord (APEL)	33,200	12,000
Restoration of aquatic habitat and protection awareness	1 river 1 stream	Comité de valorisation de la rivière Beauport (CVRB)	76,900	21,800
Protection and enhancement of Parc de la rivière Doncaster	1 river	Plein-Air Sainte-Adèle	70,700	34,000
TOTAL	7 lakes 17 rivers and streams		1,672,000	449,250



Caspian tern

**Sailboats on
Lake Saint-Pierre**



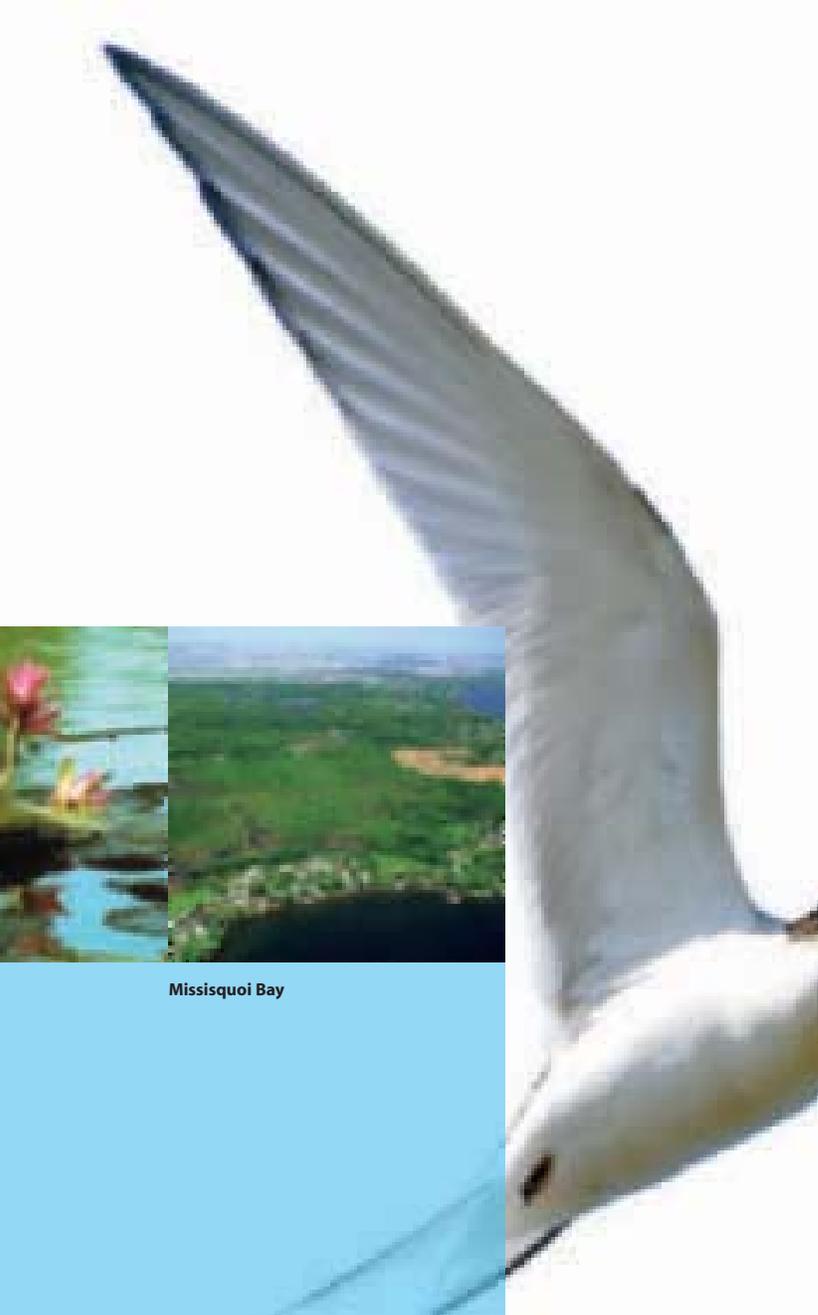
Painted turtle



Waterlily

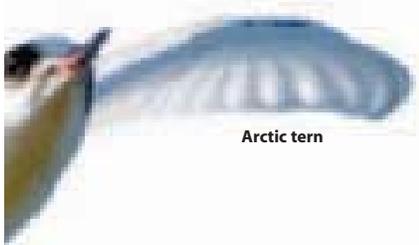


Missisquoi Bay



The Lake Saint-Pierre archipelago is a fragile ecosystem that since 2000 has been part of the world network of biosphere reserves recognized by UNESCO. Located in a favorite boating area, the archipelago suffers from the negligent behavior of some boaters. Simply reducing motorboat speeds would have an immediate positive impact on bank erosion. With the Foundation's help, the Nature Conservancy of Canada will create an eco-nautical map for distribution, especially during vacation season. Information will be posted in strategic locations and a mobile information booth staffed by local young people will visit the marinas, campgrounds and outfitters.

In the Quebec City area, the Rivière des Hurons is the main tributary of Lake Saint-Charles, which supplies some of the city's drinking water. An organization known as APEL (Association pour la protection de l'environnement du lac Saint-Charles et des Marais du Nord) received funding from the Foundation so it could make landowners along the Rivière des Hurons aware of their responsibility to protect the water quality and ecosystems.



Arctic tern

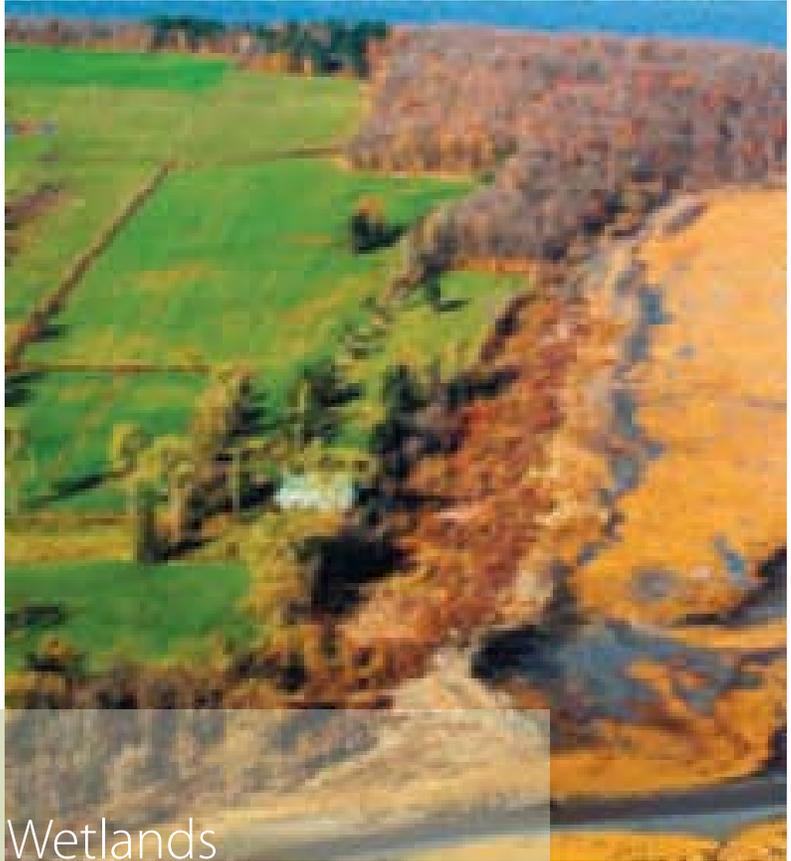
APEL used a variety of methods, including flyers, brochures, meetings and workshops, to inform people of the harm done when natural riparian buffers are artificialized and to promote sound development and landscape-maintenance practices. In addition, with the help of volunteers, APEL restored and protected the banks of the Rivière des Hurons in the Marais du Nord nature reserve, which receives some 25,000 visitors per year. APEL now uses this stretch of the river to demonstrate techniques for restoring riparian buffer strips.

In suburban Quebec City, the Comité de valorisation de la rivière Beauport (CVRB) will conduct a similar awareness and action project targeting people whose daily activities have direct impacts on the Beauport River. This river and its banks still contain a remarkable diversity of wildlife despite the heavy pressure from rapid population growth, with intensive construction, lawns on the riverbanks, the discharge of various wastes into the water, pesticide use, repeated ATV traffic, and so on. The CVRB project will include some 50 awareness activities as well as field work to rehabilitate 1.5 km of the banks and reforest 500 m of the land along the river. Stewardship of the river will also be encouraged among the new residents in the area. The CVRB is targeting the owners of riverside property (door-to-door distribution of flyers, training workshops, development guides) and the many elementary and secondary schools in the area. Teachers will be offered training, with a teacher's guide and data sheets to help them tell the children about useful things they can do and the detrimental effects of vandalism.

The mid and lower Laurentians are also under demographic pressure, and tourism in the region has increased substantially in the past 20 years. The Parc de la rivière Doncaster is one of the few places in the area offering public access to a river. The existing facilities have not been sufficient to prevent deterioration of this increasingly popular nature park. With the Foundation's help, the town of Sainte-Adèle, which manages the park, will restore the undergrowth along the river and improve the tourist infrastructure. Currently, the trails beside the river lead to dead ends. A bridge will be rebuilt and a second river crossing constructed to create a loop trail and reduce off-trail trampling so that the environment can regenerate.



Soil amendment around a pond on the Rivière à Mars

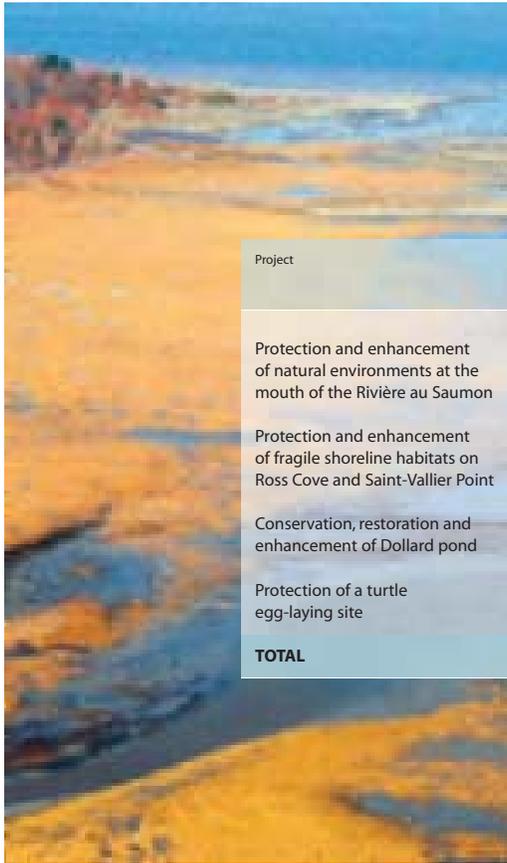


Wetlands



Victorin's water hemlock

American bulrushes and forest area in fall
Saint-Vallier Point



Project	Area (ha)	Partner	Estimated Total Budget (\$)	Foundation Contribution (\$)
Protection and enhancement of natural environments at the mouth of the Rivière au Saumon	112	Société de conservation du corridor naturel de la rivière au Saumon (SCCNRS)	230,900	35,000
Protection and enhancement of fragile shoreline habitats on Ross Cove and Saint-Vallier Point	34 ^[1]	Nature Conservancy of Canada	155,700	77,000
Conservation, restoration and enhancement of Dollard pond	28	Ducks Unlimited Canada (DUC)	195,900	24,200
Protection of a turtle egg-laying site	8	Municipality of Irlande and Verte Irlande	70,000	49,000
TOTAL	182		652,500	185,200

1. This project also affects 25 ha of forests on Saint-Vallier Point, included in the Lands and Forests class.

All four wetlands projects supported by the Foundation in 2006 have the same objective: to reconcile the use of natural sites with the preservation of their environmental integrity. Two of these projects involve land acquisition.

The Société de conservation du corridor naturel de la rivière au Saumon (SCCNRS), which has already obtained funding from the Foundation twice, protects and preserves the natural heritage of the Rivière au Saumon watershed (RCMs of Memphrémagog and Val-Saint-François). The project supported by the Foundation in 2006 focuses on 112 hectares of floodplains at the convergence of the Rivière au Saumon and Saint-François River. Some particularly sensitive species, such as wood turtles, monarch butterflies, mild smartweed, ostrich fern, bloodroot and wild garlic, are found in this fragile environment, which suffers from uncontrolled ATV, snowmobile and motocross traffic, as well as hikers and plant gatherers.

Several measures are planned to deal with this problem: channelling traffic by having fewer points of entry and identifying them better, marking trails, setting up information and interpretation signs, educating visitors about the importance of biodiversity and providing information on which activities are allowed and which are prohibited.

The shoreline of the St. Lawrence River freshwater estuary is both fragile and remarkably diversified. It contains very special ecosystems that harbor unique plants not found anywhere else in the world, including 17 threatened or vulnerable species that are extremely sensitive to human disturbance. The main threat to the environmental integrity of this coastal area comes from the uncontrolled recreational practices of the area's residents and other users. The Nature Conservancy of Canada wants to enhance two sites—Ross Cove and Saint-Vallier Point in Lévis—where awareness and education programs about shoreline fragility can be developed.

The objective of this project is to confirm in the public mind that both sites need to be protected and encourage users to behave more responsibly. Ross Cove receives many visitors in the summer, and habitat quality has deteriorated over the past few years. To restrict the use of motor vehicles on the sandbars in this area, barriers will be erected to control access. Saint-Vallier Point has 25 hectares of wooded banks, including an outstanding red oak stand, and 25 hectares of strand. There are two priorities for this site: build barriers to keep visitors away from sensitive areas, and design education and awareness tools for the general public and school groups.

Under combined pressure from agriculture, logging, urbanization and industrialization, many wetlands in Québec have been drained, filled in or altered in one way or another. There are almost no intact wetlands left in urban areas. In Rimouski, however, Dollard Pond is part of a much-used network of walking trails that start at the St. Lawrence River and follow the Rimouski River, ending 4 km upstream. Because it is less than one kilometre from the St. Lawrence, and near the Rimouski River, a wet meadow and a marsh, Dollard Pond is very popular with birds. Several consultations revealed the local community's interest in preserving and protecting this wetland. With local support and the help of the Foundation, Ducks Unlimited Canada plans to purchase two private properties totaling 12 hectares for a conservation, restoration and enhancement project for Dollard Pond. These acquisitions will add to the 16 hectares that already belong to the municipality, which plans to sign a conservation agreement to protect them. The project will provide for the site's sustainability, increase its wildlife potential, and educate the local public and visitors about the essential role and fragility of wetlands.

During public consultations on the Québec government's National Policy on Rurality, the citizens of the municipality of Irlande, in Chaudière-Appalaches, asked their elected representatives and an environmental organization, Verte Irlande, to introduce measures to enhance the local natural heritage. The project funded by the Foundation involves the acquisition of a gravel pit known for over 20 years to be the area's most important egg-laying site for the common snapping turtle. Although wood turtles have not been observed in this gravel pit, it is believed that this species, designated vulnerable in Québec, frequented the pit in the past and could return. There is a wood turtle community in the area and the gravel pit would suit their needs.

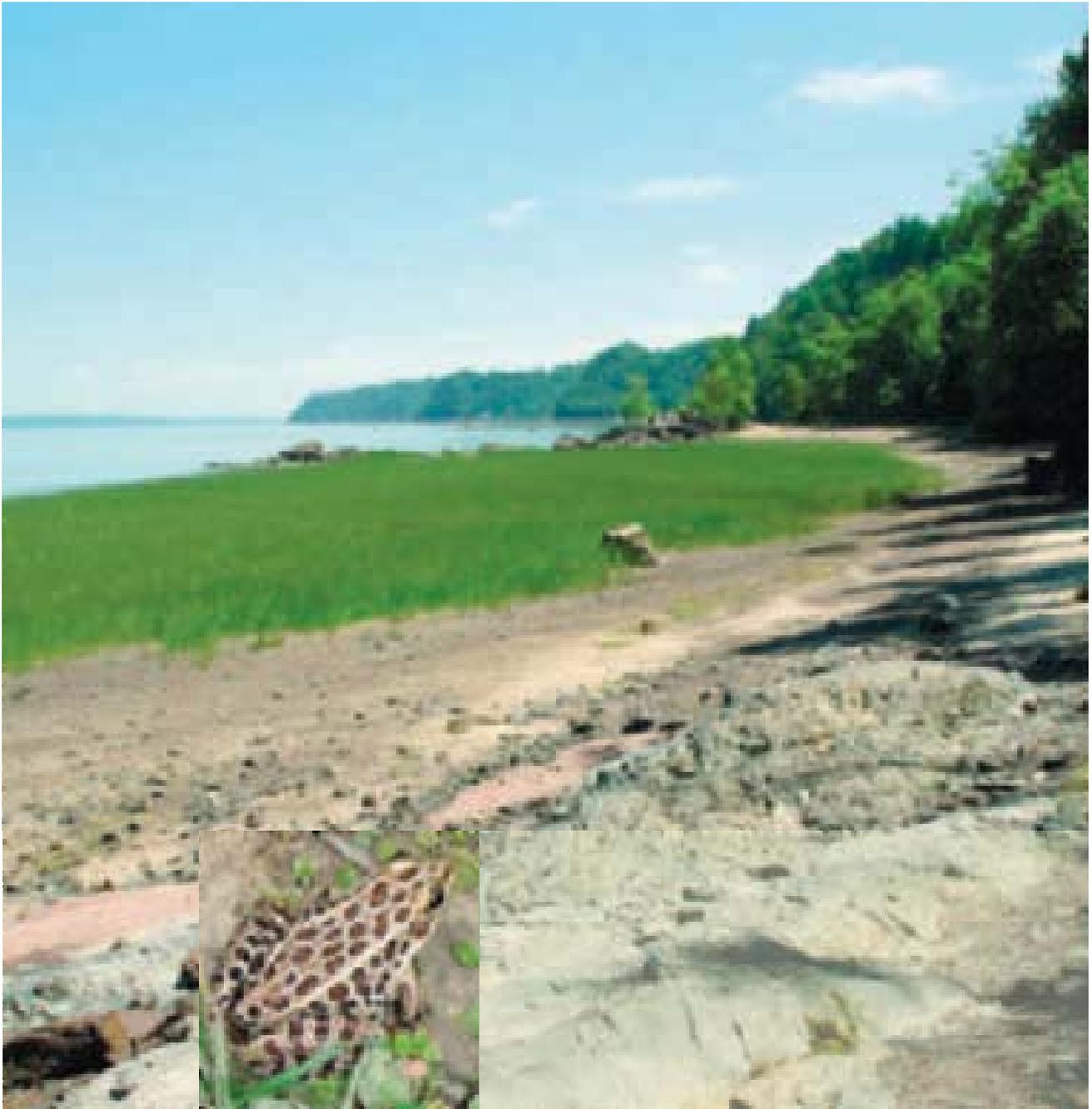
The pit is situated between a road and Slater Pond, a wetland deemed outstanding for its biodiversity and birds. By acquiring the pit and surrounding properties, the municipality and Verte Irlande intend to protect the egg-laying site, encourage the return of turtles, and help to preserve a system of wetlands. Natural and artificial barriers will also be erected to keep the turtles off the road. A protective buffer zone will be established around the gravel pit to prevent any disturbance or harassment during egg-laying in June and July. Access to the site will therefore be limited and the public will be given an opportunity to observe the turtles without disturbing them.



Victorin's gentian



Provancher's fleabane



Ross Cove
Saint-Nicolas,
Lévis

Leopard frog



Education and Awareness

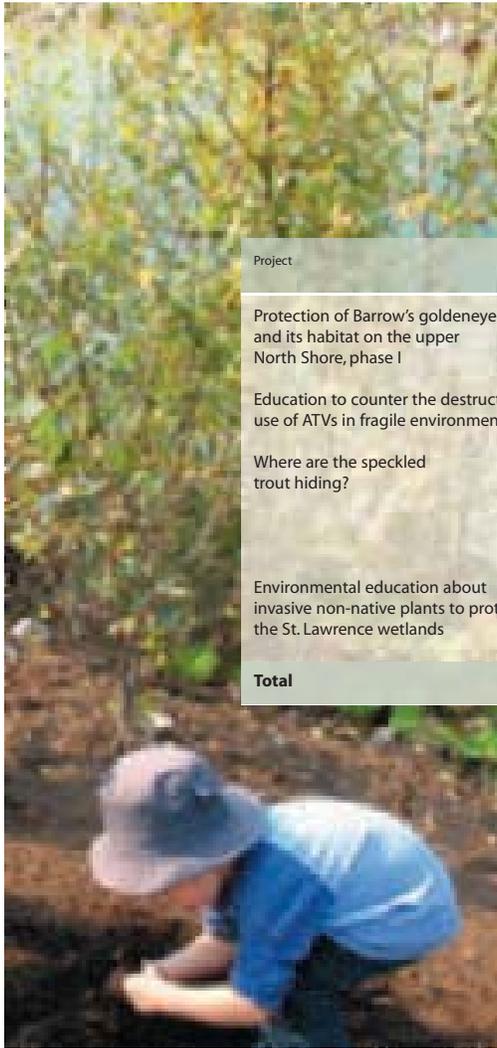
In eastern Québec, the Barrow's goldeneye population is, at most, 4,500 birds. This tree-nesting duck, likely to be designated threatened or vulnerable, breeds on high lakes with few fish and an abundance of invertebrates. Several lakes in the Escoumins River watershed have potential for these birds. In the fall, Barrow's goldeneye gather to winter in the St. Lawrence estuary, across from Les Bergeronnes, Les Escoumins and Longue-Rive. With the Foundation's support, the Conseil de bassin de la rivière des Escoumins has educated various target publics, particularly the riverside landowners, about the precarious status of Barrow's goldeneye and the need to protect its habitats.

The logging company in the area has been informed of the measures to use to avoid destroying nesting sites, and outfitters and ZEC managers have been advised of the negative repercussions of seeding fishless lakes. Hunters have also been asked to be very careful not to confuse Barrow's goldeneye with the common goldeneye.

With a second year of help from the Foundation, the Parc Nature de Pointe-aux-Outardes near Baie-Comeau continued the awareness activities begun in 2005 to reduce the impact of ATVs on the fragile North Shore environment between Tadoussac and Baie-Trinité.

The organization encourages ATV drivers to be more respectful of the environment and to avoid vulnerable areas, especially marshes and dunes. Eventually, the fragile habitats in the area will be stabilized to protect threatened plant and animal species. The staff of Parc Nature de Pointe-aux-Outardes has provided training to teachers at 25 elementary schools on the importance and ecology of these ecosystems. To help them relay the information to their students, they were also given a teacher's guide, a CD and a snakes-and-ladders type game. The same teaching aids were distributed to 15 municipalities, as well as to libraries, youth centres, the Manic Quad club, and various organizations.

Community planting
Pond on the
Rivière à Mars



Project	Partner	Estimated Total Budget (\$)	Foundation Contribution (\$)
Protection of Barrow's goldeneye and its habitat on the upper North Shore, phase I	Conseil de bassin de la rivière des Escoumins (CBRE)	15,300	8,000
Education to counter the destructive use of ATVs in fragile environments	Parc Nature de Pointe-aux-Outardes	69,700	48,980
Where are the speckled trout hiding?	Regroupement des associations pour la protection de l'environnement des lacs et des cours d'eau de l'Estrie et du haut bassin de la rivière Saint-François (RAPPEL)	230,800	51,350
Environmental education about invasive non-native plants to protect the St. Lawrence wetlands	Great Lakes United (GLU)	117,400	35,000
Total		433,200	143,330

The Regroupement des associations pour la protection de l'environnement des lacs et des cours d'eau de l'Estrie et du haut bassin de la rivière Saint-François (RAPPEL) is concerned about the impact of poor practices in construction, road building, logging and management of riparian farmland: these may increase sediment in rivers and damage aquatic habitats. The local farmers, loggers, landowners and land-use planners consulted by RAPPEL were aware of one aspect of this problem, namely the almost total disappearance of speckled, or brook, trout.

To respond to this concern, RAPPEL organized a travelling exhibit to educate the four target publics (loggers, farmers, landowners and land-use planners) about the impacts of their activities on rivers and give them the necessary tools to control soil erosion, increase water quality and improve the brook trout situation. The interactive exhibit, *Where are the speckled trout hiding?* uses an educational approach to encourage stewardship and the search for solutions.

Simple, effective measures to control soil erosion and water contamination are suggested to each target public. The exhibit will be presented at conventions, business meetings and forums. This is the fourth time the Foundation has collaborated with RAPPEL, which has a solid presence in the Eastern Townships.



Blue vervain

Invasive non-native species are a growing problem and threaten biodiversity because they crowd out indigenous species. Wetlands are among the ecosystems most vulnerable to this threat. Some of the invasive plants that have already taken over along the St. Lawrence River are flowering rush (*Butomus umbellatus*), purple loosestrife (*Lythrum salicaria*), European frog-bit (*Hydrocharis morsus-ranae*), reed canarygrass (*Phalaris arundinacea*), common reed (*Phragmites australis*) and Eurasian watermilfoil (*Myriophyllum spicatum*). Others are poised to follow, including water chestnut (*Trapa natans*) and Japanese knotweed (*Fallopia japonica*). There are several ways these colonizers can get into rivers: landscaping is one of them.

Some practices by professional and amateur horticulturists contribute to the propagation of invasive non-native plants in neighboring natural environments. These plants compete with and can eliminate several indigenous plants, hinder wildlife reproduction and have direct impacts on recreation, transportation and the drinking water supply. To protect the St. Lawrence wetlands against this phenomenon, Great Lakes United (GLU), in conjunction with Nature Action Québec, has conducted an education campaign on invasive plants. The Foundation's contribution was used to produce awareness tools for professional and amateur horticulturists. Articles on the subject have also been published in various horticulture magazines and in the local press. The objective was to provide information about invasive non-native plants, suggest indigenous species to use instead, and promote sound horticultural practices.



Barrow's goldeneye



Swamp milkweed



Joe Pye weed

Marsh marigold

Financial Statements

Management's Report

The financial statements of the Fondation Hydro-Québec pour l'environnement as well as all information contained in this report fall under the responsibility of Management and are approved by the Board of Directors. This responsibility involves choosing the appropriate accounting conventions that comply with Canadian generally accepted accounting principles.

To fulfill these responsibilities, Management maintains a control system designed to provide reasonable assurance as to the protection of assets, the proper accounting of transactions and the reliability of the financial statements.

The Foundation acknowledges its responsibility in managing its affairs in accordance with the governing legislation.

The auditors of KPMG LLP audited the financial statements of the Foundation in accordance with Canadian generally accepted auditing standards. Their *Auditors' Report* discusses the nature and scope of this audit as well as their related opinion.



Catherine Leconte
Executive Director

Montréal, April 12, 2007

Auditors' Report

To the Directors of the Fondation Hydro-Québec pour l'environnement

We have audited the balance sheet of the Fondation Hydro-Québec pour l'environnement (the "Foundation") as at December 31, 2006, as well as the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2006, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Montréal, Canada
January 31, 2007

Balance Sheet

As at December 31, 2006, with comparative figures for 2005

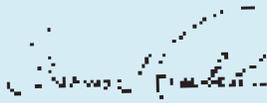
\$	2006	2005
Assets		
Cash	1,893,738	1,702,944
Contributions receivable from Hydro-Québec	41,993	34,094
	1,935,731	1,737,038
Liabilities		
Accounts payable	70,968	136,712
Net assets		
Restricted to environmental projects	1,064,074	1,026,518
Unrestricted	800,689	573,808
	1,864,763	1,600,326
	1,935,731	1,737,038

See the notes to the financial statements.

On behalf of the Board,



Marie-José Nadeau
President



Armand Couture
Director

Statement of Operations

Year ended December 31, 2006, with comparative figures for 2005

\$	2006	2005
Revenue		
Hydro-Québec – Contributions from (Note 3)		
Divisions	850,000	850,000
Special fund	410,775	273,185
Interest income	59,498	46,335
	1,320,273	1,169,520
Expenditure		
Environmental projects (Note 2)		
Approved during the year	317,453	405,070
Approved during previous years	591,615	615,162
General overhead and project management	146,768	157,267
	1,055,836	1,177,499
Excess of revenue over expenditure (expenditure over revenue)	264,437	(7,979)

See the notes to the financial statements.

Changes in Net Assets

Year ended December 31, 2006, with comparative figures for 2005

\$	Restricted to environmental projects ¹	Unrestricted	2006 Total	2005 Total
Net assets at beginning of year	1,026,518	573,808	1,600,326	1,608,305
Excess of revenue over expenditure (expenditure over revenue)	(591,615)	856,052	264,437	(7,979)
Internally restricted with respect to projects approved in 2006 (Note 2)	691,877	(691,877)	–	–
Abandonment of a project approved in 2004	(50,000)	50,000	–	–
Other inter-fund transfers (Note 2)	(12,706)	12,706	–	–
Net assets at end of year	1,064,074	800,689	1,864,763	1,600,326

(1) As at December 31, net assets restricted to environmental projects were as follows:

\$	2006	2005
Surplus restricted to projects		
Approved during the year	691,877	462,021
Approved during previous years	372,197	564,497
	1,064,074	1,026,518

Notes to Financial Statements

Year ended December 31, 2006

Status and Nature of Activities

The Fondation Hydro-Québec pour l'environnement (the "Foundation") was constituted on January 19, 2001, under Division III of the Québec *Companies Act* and started its activities on that date. Its mission is to contribute to the long-term enhancement and protection of the environment; to promote the conservation, restoration and enhancement of fauna, flora and natural habitats; and to support local needs related to environmental stewardship. Its Board of Directors is composed of six Hydro-Québec officers and four outside directors. The Foundation is a nonprofit organization that is exempt from taxes within the meaning of the *Income Tax Act*.

1. Significant Accounting Policies

These financial statements for the Foundation were prepared by Management in accordance with Canadian generally accepted accounting principles.

a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the use of estimates that affect the assets and liabilities reported in the financial statements, as well as the revenue and expenditure items for the periods presented. Actual amounts could differ from those estimates.

b) Revenue recognition

The Foundation uses the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when they are received, or as receivables if the amount can be reasonably estimated and payment is reasonably assured. Restricted contributions are recognized as revenue in the fiscal year in which the related expenditures are incurred. Special fund revenue comes from the interest on the balance of a fund set up by Hydro-Québec in the amount of \$10,000,000.

c) Expenditure recognition

Expenditures related to environmental projects are recorded as the work is done by the organizations in question.

2. Restrictions Affecting Net Assets

During the year, the Board of Directors of the Foundation approved financial support for 22 environmental projects (20 in 2005, 15 in 2004, 10 in 2003, 10 in 2002 and 14 in 2001) for a total commitment of \$1,009,330, of which \$317,453 was paid out during the year. The balance of \$691,877 is internally restricted in order to reserve unrestricted surplus in an amount corresponding to future reimbursement requests for approved environmental projects. The Foundation may not use this amount for other purposes without the prior consent of the Board of Directors.

During the year, a total amount of \$12,706 for projects in 2003 and 2004 was transferred from net assets restricted to environmental projects to unrestricted net assets because the actual expenditures were less than the amounts initially authorized.

\$	Total commitment	Paid out during the year	Paid out during previous years	Internally restricted
Lands and forests	231,550	53,072	–	178,478
Rivers and lakes	449,250	143,500	–	305,750
Wetlands	185,200	17,500	–	167,700
Education and awareness	143,330	103,381	–	39,949
Total – 2006	1,009,330	317,453	–	691,877
Total – 2005	867,091	327,399	405,070	134,622
Total – 2004	680,284	205,416	454,209	20,659
Total – 2003	1,318,838	15,124	1,086,798	216,916
Total – 2002	804,850	43,676	761,174	–
Total – 2001	368,210	–	368,210	–
Total	5,048,603	909,068	3,075,461	1,064,074

3. Related Party Transactions

During the year, the Foundation received contributions from Hydro-Québec totaling \$1,260,775 (\$1,123,185 in 2005), including \$410,775 (\$273,185 in 2005) in annual interest generated by funds specially reserved by Hydro-Québec for the Foundation, and \$850,000 (\$850,000 in 2005) in contributions from Hydro-Québec Production, Hydro-Québec TransÉnergie, Hydro-Québec Distribution, and the company's Environment and Sustainable Development branch. The Foundation incurred expenses of \$125,231 (\$142,135 in 2005) in relation to Hydro-Québec. These expenses consist mainly of charges for services provided by employees of the Environment and Sustainable Development branch, billed under a fixed-price agreement between the Foundation and the branch. Services provided by other administrative units for the benefit of the Foundation are billed on the basis of real costs under agreements between the Foundation and these units.

4. Statement of Cash Flows

No Statement of Cash Flows was prepared because it would not contain any relevant additional information.

Board of Directors – 2006

Marie-José Nadeau

President, Fondation Hydro-Québec
pour l'environnement
Executive Vice President –
Corporate Affairs and
Secretary General
Hydro-Québec

Louis Aubry

Director General
Développement et
aménagement de la faune
Ministère des Ressources
naturelles et de la Faune du Québec

Armand Couture

President
Société Bédelmar Itée
Chairman of the Board
Institut national de la recherche
scientifique (INRS)

Carminé De Benedictis

Director – Commercial Operations
Customer Services
Hydro-Québec Distribution

Georges-Henri Gagné

Warden, Regional County
Municipality of Manicouagan
Mayor of Ragueneau

Stella Leney

General Manager – Environment
and Corporate Affairs
Hydro-Québec

Louise Pelletier

Regional Director – Mauricie and
Director – Generation Des Cascades
Hydro-Québec Production

Patrick Plante

President
Initium

Andrée Turcot

Director – Asset Planning
and Regulatory Affairs
Hydro-Québec TransÉnergie

Myriam Truchon

Director – Environment and
Sustainable Development
Hydro-Québec

For More Information

For more detailed information on the mission, priorities and operations of the Fondation Hydro-Québec pour l'environnement and the projects it has supported, please visit our Web site at: www.hydroquebec.com/fondation_environnement

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[page 4] *Willow ptarmigan*: Miroslav Chum

[page 7] *Common map turtle*: Jeffrey MacDonald

[page 9] *Lands and forests – Maple stand*: Les Amis de la Réserve nationale de faune du lac Saint-François; *Rivers and lakes – Lake Saint-Pierre Archipelago*: Denis Boisvert; *Wetlands – Rivière au Saumon*: SCCNRS; *Education and awareness – Planting*: Parc nature de Pointe-aux-Outardes

[page 10] *White pine*: Anne-Marie Prud'homme, FHQE

[page 12] *Wild columbine*: Anne-Marie Prud'homme, FHQE; *Mont Saint-Grégoire*: CIME – Haut-Richelieu; *Eastern milksnake*: Mont Saint-Hilaire Nature Centre

[page 13] *American linden*: Les Amis de la Réserve nationale de faune du lac Saint-François; *Nodding trillium*: Régis Fortin

[page 14] *Rivière des Envies*: Fédération de l'UPA de la Mauricie; *Nunavik landscape*: Miroslav Chum

[page 15] *Caspian tern*: Regroupement Québec Oiseaux

[page 16] *Arctic tern*: Miroslav Chum; *Sailboats*: Comité ZIP Lac Saint-Pierre; *Painted turtle*: Michel Martin; *Waterlily*: Michel Martin; *Missisquoi Bay*: Nature Conservancy Canada

[page 17] *Pond on the Rivière à Mars*: Anne-Marie Prud'homme, FHQE

[page 18] *Saint-Vallier Point*: Claude Duhaîne; *Victorin's water hemlock*: Frédéric Coursol

[page 20] *Victorin's gentian*: Patricia Désilets, Nature Conservancy Canada; *Provancher's fleabane*: Frédéric Coursol

[page 21] *Ross Cove*: Patricia Désilets, Nature Conservancy Canada; *Leopard frog*: Caroline Savage

[page 22] *Community planting*: Comité ZIP Saguenay

[page 23] *Blue vervain*: Isabelle Dupras

[page 24] *Barrow's goldeneye*: Alain Hogue; *Swamp milkweed*: Isabelle Dupras

[page 25] *Joe Pye weed*: Isabelle Dupras; *Marsh marigold*: Isabelle Dupras



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