

ATLANTIC POWER CORPORATION

*CHARTER OF THE COMPENSATION COMMITTEE*

Pursuant to Section 18.2 of the Articles of Arrangement of Atlantic Power Corporation (the “**Company**”), the board of directors (the “**Board**”) of the Company has passed a resolution as of January 29, 2010 approving the establishment of a Compensation (the “**Committee**”) and has approved this charter (the “**Charter**”) to be the charter of the Committee.

**A. Purpose of the Committee**

The primary purposes of the Committee are to: (i) discharge the responsibilities of the Board relating to compensation of the Company’s Chief Executive Officer (the “**CEO**”) and other executive officers; (ii) evaluate the compensation plans, policies and programs that are of strategic significance to the Company; and (iii) review and discuss with the Company’s officers the Statement of Executive Compensation, including the Compensation Discussion and Analysis (the “**CD&A**”), to be included in the Company’s annual proxy circular and determine whether to recommend to the Board that the CD&A be included in the proxy circular.

**B. Membership and Organization**

- Number; Qualification. The Committee shall consist of at least three directors, all of whom in the judgment of the Board shall be independent in accordance with applicable securities laws (and such other standards as the Board or the Nominating and Corporate Governance Committee of the Board may adopt from time to time). In addition to possessing the qualities required of a director, each member of the Committee shall have, or shall commit to develop in a timely manner, an understanding of senior management resource issues and compensation principles and practices.
- Chairman. Unless a chairman of the Committee is designated by the Board, the members of the Committee shall elect a chairman (the “**Chairman**”) by majority vote of the full Committee. The Chairman shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas and making regular reports to the Board.
- Compensation. The compensation of the Committee shall be as determined by the Board or a committee of the Board.
- Selection and Removal. Members of the Committee shall be appointed by the Board and may be removed and replaced by the Board, with or without cause, at any time.

### **C. Procedures and Administration**

- Meetings. The Committee shall meet at least two times per year and more frequently as it believes is necessary or appropriate to fulfill its duties and responsibilities (including via teleconference or other electronic means of communication). The Committee may also act by unanimous written consent in lieu of a meeting. A majority of the entire Committee shall constitute a quorum for the taking of any action at any meeting of the Committee and a majority of those members present at a meeting, a quorum being present, shall be required to approve any action taken by the Committee. The Chairman may call a meeting upon due notice to each other member not less than 24 hours prior to such meeting and any member may call a meeting upon due notice to each other member not less than 48 hours prior to such meeting.
- Access to Information. In discharging its duties, the Committee shall have full access to all Company books, records, facilities, personnel and outside professionals.
- Subcommittees. The Committee may form and delegate authority to subcommittees consisting of one or more members of the Committee when appropriate.
- Independent Advisors; Funding. The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent compensation consultants and independent legal, accounting or other advisors, who may be regular advisors to the Company. The Company shall provide such funding as the Committee determines is appropriate in connection with the retention of such advisors.
- Investigations. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate.
- Administrative Expenses. The Committee is empowered, without further action by the Board, to cause the Company to provide appropriate funding for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out the Committee's duties.
- Reports to Board. The Committee shall keep such records of its meetings as it shall deem appropriate and make regular reports to the Board.

### **D. General Responsibilities and Authority**

Although the Board may consider other duties from time to time, the Committee, to the extent it deems necessary or appropriate, will have the following specific responsibilities in light of the Committee's purposes as set out in Section "A" of this Charter:

- Review Compensation Strategy. The Committee will review annually and approve a compensation program designed to ensure: (a) the attraction and retention of officers; (b) the establishment of performance goals that, if met by officers, are expected to improve long-term shareholder value; and (c) the alignment of the interest of key leadership with the long-term interests of the Company's shareholders. This review

process may involve, among other things, reviewing trends in management compensation, overseeing the development of new compensation plans, and, when necessary, approving changes to existing plans.

- CEO Compensation. The Committee shall review and approve on an annual basis, or recommend to the Board for approval, the corporate goals and objectives with respect to compensation for the CEO. The Committee shall evaluate at least once a year the CEO's performance in light of these established goals and objectives and, based upon these evaluations, shall make a recommendation to the Board, which shall retain the authority to set the CEO's annual compensation, including salary, bonus, incentive and equity compensation to the extent applicable. In determining its recommendation, the Committee will consider such factors as it deems relevant, which may include the Company's performance, awards given to the CEO in past years, the compensation of chief executive officers at relevant peer companies and general economic factors. The CEO shall not be present during voting or deliberations.
- Officer Compensation. The Committee will, in consultation with the CEO, review and approve on an annual basis, the corporate goals and objectives with respect to compensation for the Company's officers (other than the CEO).
- Evaluation Process. The Committee will develop and oversee an overall evaluation process for the Company at large with respect to officers and oversee the implementation of such process.
- Director Compensation. The Committee shall recommend to the Board the compensation for Board members, including retainer, committee and committee chair fees, stock options and other similar items as appropriate, in each case, with due regard to the motivation of directors, the alignment of directors' interests with those of shareholders and practices at comparable companies. The Committee shall review on an annual basis all director compensation (including the compensation of any members of committees of the Board) and benefits.
- Incentive Compensation. The Committee shall review the Company's incentive compensation and other equity-based plans and recommend changes in such plans to the Board and officers as needed.
- Administration of Incentive Plans. The Committee shall review and make recommendations to the Board concerning long-term incentive compensation plans, including the Company's long-term incentive plan, the use of stock options and other equity-based plans for all directors and officers. The Committee shall have and shall exercise the authority of the Board with respect to the administration of the Company's long-term incentive plan and any other incentive and stock option plans or other equity-based and employee benefit plans in accordance with the terms and provisions of such plans, with authority to grant or to approve or disapprove participation of individual employees in those plans.

- Succession of CEO and Officers. The Committee shall make recommendations to the Board with respect to officer development and corporate succession plans for the CEO and other members of officers.
- Employment and Other Agreements. The Committee shall review and approve employment and any other agreements between the Company and the officers regarding their employment with the Company or any other arrangements with the Company relating to compensation and the terms of their engagement as an officer of the Company.
- Severance/Separation Packages. The Committee shall review and approve separation packages and severance benefits to the extent that the agreements are outside ordinary limits.
- Human Resource Policies. In co-operation with the Company's officers, the Committee shall oversee the human resource policies and programs that are of strategic significance to the Company and make recommendations thereon, as required, to the Board.
- Executive Compensation Disclosure. The Committee shall review all executive compensation disclosure, including but not limited to the Company's annual CD&A, prior to public disclosure by the Company.
- Additional Powers. The Committee shall have such other duties and responsibilities that may be delegated by the Board.

#### **E. Annual Evaluation**

At least annually, the Committee shall, in a manner it determines to be appropriate:

- Perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with this Charter.
- Review and assess the adequacy of this Charter and the position description for the Chairman and recommend to the Board any improvements that the Committee believes to be appropriate.