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U.S. boost for geothermal firms

By Richard Blackwell
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TSX-traded companies collect \$32-million - almost 10 per cent of the total

The U.S. government has pumped \$32-million (U.S.) into Canadian-traded geothermal companies that operate south of the border, a move that highlights the lack of support for the industry in Canada.

A total of \$338-million in grants for geothermal exploration and drilling was recently unveiled by the U.S. Department of Energy - part of the Obama administration's plan to crank up its green energy production. Almost 10 per cent of this will go to firms that trade on the Toronto Stock Exchange, some of which are also based in Canada.

Industry players say this underlines how far behind Canada stands, when it comes to encouraging a domestic geothermal power industry. While there is great potential in parts of Canada for these kind of projects - which use underground heat to generate electricity - there are no geothermal plants in use or being built in the country.

"The reality is there is geothermal potential from a power generation point of view in [Western Canada]" said Greg Reid, an analyst who covers the geothermal sector for Wellington West Capital Markets Inc. "But the regulatory environment and incentives environment is clearly not as good as it is in the U.S."

Not only are there exploration grants in the United States, but the industry can also draw on low-cost loans and tax incentives, "and large amounts of them," he said. None of that exists in Canada.

Among the firms that will collect U.S. grants under the new program are Magma Energy Corp. MXY-T , Nevada Geothermal Power Inc. NGP-X, and Sierra Geothermal Power Corp. SRA-X, all of Vancouver. They each trade on the main TSX exchange or on the TSX Venture Exchange.

U.S. Geothermal Inc. of Boise, Idaho and **Ram Power Corp.** of Reno, Nev., which both trade on the TSX, also received grants.

Magma and Sierra each got \$10-million, while the others got sums ranging from \$3.4-million to \$5-million. The money will go to projects in Nevada, Oregon and California.

Alison Thompson, vice-president of corporate relations at Magma, said the industry uses the Toronto market for funding because of its expertise in financing resource firms.

These companies would likely also have projects in Canada, she said, except that the regulatory and support environment has "stymied" any attempts to do projects here.

The only Canadian project on the drawing board is one in Ram Power's long-term plans, in the South Meager region of British Columbia, about 170 kilometres north of Vancouver.

That situation would change if Canadian geothermal firms got the kind of help available in the United States, especially for risky early-stage exploration and drilling, Ms. Thompson said. Canada has potential for projects in B.C., Alberta, Yukon and the Northwest Territories, where geothermal heat is close to the surface.

Canada's mining and oil and gas industries already get exploration support, she said, but it is not extended to geothermal companies that could make significant contributions to the Canadian economy.

"Nominal investments now will reap rewards later, because you have 20 or 30 years of clean power [and] you create all these jobs and taxes," said Ms. Thompson, who is also executive director of the Canadian Geothermal Energy Association.

Incentives in the United States are very generous, she noted. Among the current programs is one that returns 30 per cent of the capital costs of building a geothermal power plant. Vancouver's Nevada Geothermal recently applied for a cash grant of almost \$58-million, as it has just finished building a new \$180-million plant in Northern Nevada.

Gary Thompson, president of Sierra Geothermal, said Canada is missing the boat. "There is a lot of money being raised in Canada [that is] flowing into the U.S."

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