

October 11, 2013

Re: An open letter to Canada's geothermal community,

The Chair of the Standing Committee on Natural Resources, MP Leon Benoit, recently indicated that **the government is not prepared to invest in geothermal until they see a "good, proven plan."** CanGEA has been diligently working on such a plan over the past two years. Despite our persistence it remains uncertain whether Western Economic Diversification Canada will financially support the Canadian Geothermal Energy Industry Technology Roadmap & Implementation Plan (TRM&IP). At this time, CanGEA vitally needs financial support so that it can complete the TRM&IP and press the federal, provincial, and territorial governments for the legislative and financial support that will allow the industry to gain a foothold in Canada.

Once government buy-in is achieved, there is no shortage of government money available for industries in Canada's energy sector. Figures from the International Monetary Fund indicate that Canada is subsidizing the fossil fuel industry to the tune of \$25 billion a year. This figure becomes less surprising when one realizes that **the Canadian Association of Petroleum Producers (CAPP) alone had 190 contacts with government officials in 2011.**

In the past decade the solar and wind industries have successfully lobbied for their share of programs amounting to **\$25 million, \$36 million, \$260 million, and \$1.5 billion.** The Canadian Geothermal Energy Association (CanGEA) was only formed in 2007 and the most recent round of renewable investment was announced in April of 2007. As a result CanGEA had insufficient time and resources to position the industry so that it too was able to benefit.

Over the past 6 years CanGEA has refined its message about the merits of, and business case for, supporting the geothermal industry. CanGEA now needs the financial resources to ensure this message is clearly heard in both Ottawa and in the provincial and territorial capitals. Through experience, CanGEA has found that its voice needs amplification so that it does not get drowned out among the cacophony of voices vying for the ears of politicians. CanGEA needs to hire lobbyists that can help ensure our message is heard.

Currently, the United States utilizes more geothermal energy than any other nation in the world. It is not geology, business sensibilities, or technology that stands in the way of Canada emulating this success. Rather, it is largely bureaucracy and red tape. I am confident the red tape can be cleared.

In the coming months and years the industry has a lot of work to do but all of its aims are achievable. Some of the issues that need addressing include:

- Ensuring that provinces implement proper legislation, that provides a **fair, effective and efficient geothermal leasing system;**
- Making sure **crown corporations are forthcoming with PPA/EPAs for geothermal power producers;**
- Requiring that geothermal plants have **access to transmission** lines to use in a tolling capacity so that direct sales to private customers can be facilitated, especially in circumstances where crown corporations are unable or unwilling to purchase the power;
- Elevating renewable heat to a position that is akin to renewable power. Arguably, there should be **salable carbon credits awarded for providing renewable heat**, just like there is for supplying renewable power, in provinces like Alberta; and
- Making it so **CO₂ credits elicit a fair market price.** In BC, the Standing Offer program only provides the equivalent of ~\$3/tonne.

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The Canadian Geothermal Energy Association (CanGEA) is the collective voice of Canada's geothermal energy industry. As a non-profit industry association, we represent the interests of our member companies with the primary goal of unlocking the country's tremendous geothermal energy potential. Geothermal energy can provide competitively priced, renewable, around-the-clock energy to the Canadian and U.S. markets and be a part of the solution to growing concerns about securing sustainable, cost-effective energy sources.

CanGEA promotes the industry and the potential of geothermal energy in Canada through outreach events, research, policy work and representation of Canadian interests internationally.



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The above mentioned aims are not where CanGEA's goals end, but merely where they begin. CanGEA seeks market recognition for all of the positive externalities that the geothermal industry can provide, which include:

- **Power sales; Heat sales; Distributed Energy; GHG credits; Base-load power; Spinning reserve capability; and VAR support.**

Turning to the tax side of things, geothermal exploration is comparable to those activities undertaken in the mining and O&G world. However, we are unable to take advantage of similar preferred tax treatment. For example:

- The ability of shareholders to benefit from purchasing "**Flow Through Shares**"; and
- Allowing corporations to benefit from **accelerated write offs** when "dry exploration wells", or "dry holes" are drilled.

Some less obvious, but important, hurdles that CanGEA plans to confront:

- Building capacity in the public sector to **ensure the industry is accurately portrayed** in government literature and on government websites, and specifically to ensure it is not confused with the geo-exchange industry; and
- Promoting the **post-secondary training** of geothermal professionals.

Governments in the United States, Australia, Germany and even the World Bank see the value inherent in the fostering of a strong geothermal industry. As a result the US recently gave **\$5 million per well** to qualifying projects and Australia, gave **\$7 million per well**. Australia also provides **pre-drilling exploration funding** and the US has offered a lucrative tax credit, under the *American Recovery and Reinvestment Act* that is worth **30% of a given project's cost**. In Germany drilling insurance is available and is being looked to by the World Bank, among others, to make this insurance available internationally. It is CanGEA's job to make Canadian governments aware of the geothermal industry's value so that similar incentives are offered in this country. This is a task that will require both determination and funds to spend on policy and lobbying. CanGEA has a plentiful supply of the former requirement and is in dire need of the second.

Once the federal, provincial and territorial governments accept the vastness, accessibility and economic potential that lay under this nation, support for the industry will become more forthcoming. MLA by MLA, MP by MP, and Minister by Minister CanGEA strives to change hearts and minds. With each convert, the chances for **Renewable Portfolio Standards, Feed in Tariffs, and, Standing Offer Programs** increase. At present the Standing Offer Program, in BC, is being clawed back and without sufficient funding CanGEA may not have the resources to properly address this issue.

The Canadian geothermal industry is presently going through the growing pains that many successful industries have toiled through. **The experience of the oil sands, the wind industry, and the solar industry have shown that sizeable industries do not appear overnight, rather sometimes a degree of persistence and patience is needed.** At this time CanGEA is asking the geothermal community to give generously, via our crowd funding and membership initiatives, so that CanGEA can hasten the arrival of a strong and prosperous Canadian geothermal industry.

Warm Regards,

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