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## Geothermal to play role in nation's future energy mix

- **GREENCHIP:** Giles Parksinon
- From: **The Australian**
- March 08, 2010 12:00AM

**IT'S not often that "Our Saint" Mary MacKillop and Resources and Energy Minister Martin Ferguson are mentioned in the same breath, but Panax Geothermal chief executive Bertus de Graaf managed it in a press release on Friday.**

The occasion was the official opening of the company's geothermal project at Penola on South Australia's Limestone Coast, where Panax hopes to bring Australia's first commercial geothermal energy project into production, and where the soon-to-be-canonised MacKillop founded the Australian Sisters of St Joseph.

The Rudd government would like to think that it has taken a saintly approach to the geothermal industry, awarding \$153 million to help in the development of two "hot rock" energy plants, and some \$50m in drilling assistance, including \$7m to Panax.

But the geothermal industry has been at pains to point out that this is not nearly enough.

Indeed, geothermal wonders why it has been treated as a poor cousin to other technologies. The renewable energy target clearly favours wind and will trigger a predicted \$20 billion in wind investment, and a total of \$4bn in government grants has been promised to carbon capture and storage and large-scale solar.

Even though geothermal is clearly better in terms of proven technology, low emissions, costs and available resources -- a fact that Ferguson himself implicitly recognised during his visit to Penola -- there is no further funding on the horizon for geothermal, and none at all for the more conventional and shallower aquifer resources.

This has had a debilitating impact on investor confidence and financing options. Geodynamics and Petratherm, the major beneficiaries of the Renewable Energy Demonstration Program (REDP) grants, have both fallen around 25 per cent since those November announcements and Geodynamics is now at its lowest level since 2003. And many smaller geothermal companies have gone cap in hand to the likes of Geodynamics and Origin Energy in recent months, hoping to negotiate either a buyout or a partnership.

Call it the MacKillop effect, but Ferguson on Friday recognised the need to ensure that geothermal plays a prominent part in the nation's future energy mix. This will please the geothermal industry, which has been doubling its representations to Canberra, concerned by delays in the creation of the Australian Centre for Renewable Energy and the distribution of remaining monies in the REDP. The industry has been citing a report by Activated Logic, a consultancy firm founded by former Macquarie Infrastructure types, that predicts \$1.5bn in direct funding assistance to geothermal over the next few years could trigger a further \$16bn in geothermal investments.

"We've got no carbon signal, there are ongoing concerns about the RET, and no clear capital source from the government," says Susan Jeanes, the head of the Australian Geothermal Association. "We think we can be on our own by 2014 but, in the meantime, investors are saying, let's see the government cover up on risk. It's a vital technology and the government recognises that."

Some in the industry would prefer the sort of loan guarantees that the Obama administration is using to reignite the nuclear energy industry and kick-start the development of large-scale solar. Banks are prepared to underwrite construction and development risk, but they cannot yet get their minds around some technical risks, such as sub-surface technology in the case of geothermal. This is where the government could step in. It might be a tempting prospect in an election year.

### **IPO for New World**

NEW World Energy is dusting off its plans for an IPO after securing geothermal permits for the mining-intensive Pilbara region in WA.

CEO John Libby says geothermal could be expected to fill some of the anticipated 3000MW of energy demand for the region as new large-scale mine and gas developments come into production.

New World, however, is expected to focus initial work on permits in the Perth Basin and the IPO -- possibly around \$10m - - will be timed to deliver funds for that drilling program.

Over at Petratherm, the company last week released data that confirmed the temperature levels at its Paralana development at about 190C at 4km, above requirements. The next stage will be a fracture stimulation next month, before a second well is drilled to provide the proof of concept required to access the REDP funding for the planned 30MW demonstration plant.

Petratherm has also signed a deal with Italian energy giant Enel to develop geothermal projects in Portugal and Spain. Enel, the second largest utility in Europe, already has 800MW of geothermal capacity in its portfolio. Geodynamics, meanwhile, has suffered further frustration in the Cooper Basin, this time in the form of one-in-50-year rains that could force the delay of drilling at the Jolokia well.

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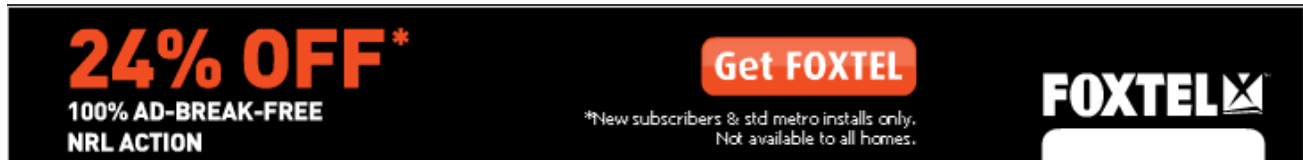
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