



GEO THERMAL ENERGY ASSOCIATION

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April 15, 2010

The Honorable Sander Levin, Chair
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

RE: April 14 Hearing on Energy Tax Incentives Driving the Green Job Economy

Dear Chairman Levin,

The US geothermal power industry continued strong growth in 2009, and the federal tax incentives included in the stimulus bill (The American Recovery and Reinvestment Act of 2009) are the principal factor that this industry achieved sustained growth despite the recession. According to the report we released this week, *The April 2010 US Geothermal Power Production and Development Update*, there was a 26% growth in new geothermal power projects under development in the United States in 2009. As a result, today there are 188 projects underway in 15 states which could produce as much as 7,875 MW of new, baseload electric power.

New geothermal power projects are in progress in Alaska, Arizona, California, Colorado, Hawaii, Idaho, Louisiana, Mississippi, Nevada, New Mexico, Oregon, Texas, Utah, Washington and Wyoming. In addition to large utility scale power projects, the survey continued to show expanding interest in small power systems (under 1MW) with projects in Mississippi, Louisiana, Texas, Oregon and Wyoming.

While the geothermal power market lags behind the wind and solar markets, it is growing quickly and this new development is significant. 7,000 MW of new baseload power capacity is enough to provide electricity for 7.6 million people, or 20% of California's total power needs, and roughly equivalent to the total power used in California from coal-fired power plants. This demonstrates, for example, that California could achieve its 2020 goal for global warming emissions reductions just by keeping energy demand level and replacing its coal-fired generation with geothermal power.

These geothermal power projects will create substantial new employment across the country. Not only are we seeing more and more development and hiring in places with a long history of geothermal like Nevada and California, but for the first time these jobs are being created in the Gulf Coast, in states such as Louisiana and Mississippi. Along with a huge number of new construction jobs, geothermal power also creates many permanent positions that can never be outsourced. With 85 geothermal power projects at stages of

development that require exploration or production drilling, geothermal drilling rigs alone could mean almost 10,000 additional jobs this Summer. Together, the direct, indirect and induced employment created by these projects when completed is estimated to be 29,750 permanent jobs and 112,000 person-years of construction and manufacturing employment. The projects under development will represent capital investment of more than \$35 billion.

The provisions of the ARRA were particularly effective in supporting continued growth in the geothermal power industry at a time when the overall economy was in recession. The continued industry growth is a testament to this, particularly give the high risk and long-lead times involved in bringing geothermal power projects on-line. There is no question that all of the geothermal power projects coming on line in 2009 benefited from the stimulus bill's tax provisions.

As the Committee's documents detail, ARRA included several important provisions affecting the geothermal industry. In particular, the extension of the Production Tax Credit through 2013, the temporary election to claim the investment tax credit in lieu of the production tax credit, the Treasury Department energy grants in lieu of tax credits, and the 30% ITC for certain renewable energy manufacturing facilities (limited to \$2.3 billion). In our view, the results show that these were timely, targeted, and effective measures.

While not within the Committee's jurisdiction, we should also note that ARRA included other provisions of importance to the geothermal industry. In particular, the Department of Energy loan guarantee programs and the \$400 million for applied research, development and demonstration through DOE are important to the future of the geothermal industry and complement the tax provisions. The new DOE funding represents the first major federal investment in new geothermal technology in almost 30 years. The \$311 million in new cost-shared awards announced late last year by DOE were matched by \$258 million in private funds, resulting in nearly \$600 million of investment in advanced technology, which we expect will help restore the US industry's position as a leader in the fast-growing global geothermal power market.

Our April 2010 Geothermal Industry Update is available on-line, which provides more details on the state of the geothermal power industry in the United States. You can download it free of charge at: <http://www.geo-energy.org/reports.aspx>.

Thank you for the opportunity to provide our input on the question being examined by the Committee.

Sincerely,

Karl Gawell
Executive Director