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BUSINESSBC

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U.S. clean energy stimulus both a boon and a threat to B.C. companies

\$70-billion commitment means companies with U.S. offices will prosper; others may be left behind

BY GORDON HAMILTON
 VANCOUVER SUN

The Obama administration's \$70-billion commitment to renewable energy is creating eye-popping opportunities in the U.S. that threaten B.C. clean-energy companies as much as it opens doors.

Corporate leaders and investors say that the sheer size of the U.S. program has shifted the centre of gravity for clean energy south of the border. B.C. companies with offices or connections in the U.S. will prosper while those with little access to the cash will be challenged to raise capital or get into the market.

"Renewable energy initiatives implemented south of the border certainly have the potential to benefit those companies currently leading B.C.'s renewable energy sector," said Dean Rockwell, chief executive officers of the B.C. Innovation Council.

However, he said, "massive investment underway in the U.S., Europe and Asia, and the subsequent growth of competitors from those regions, threaten to swamp fledgling B.C. companies."

The U.S. administration has set aside nearly \$70 billion US in tax and spending incentives for energy-related programs as part of its larger \$787-billion economic stimulus package.

Jonathan Rhone, chief executive officer of Nexterra Energy, a company that specializes in converting biomass to synthetic gas, said the energy incentives in the U.S. "have created an absolutely uneven playing field."

"We do not have a comparable federal stimulus package in clean energy in any way shape or form," Rhone said. "I think it's a gap."

He said Canada could fall behind in innovation in clean energy.

"Why would you locate in Canada? All the money is somewhere else."

Nexterra has solid connections in the U.S. that will help it get a piece of the cash pie. It partnered with energy giant GE and energy services provider Johnson Controls long before the stimulus package was announced. It is not interested in relocating south of the border, but the lure for B.C. companies is strong, Rhone said.

"States and cities actively want green energy jobs. They want the companies located in their

cities because they want the innovation to happen there. They want to attract the venture capital. They want to have the manufacturing."

Rhone, a member of an association of clean-tech chief executive officers in Vancouver, said he knows U.S. jurisdictions are approaching B.C. companies to move south.

"We've been approached, as have other companies," he said.

There's nothing new in American cities trying to attract Canadian businesses, said Jock Finlayson, executive vice-president of the Business Council of BC. State and civic subsidies and incentives are part of the American business landscape, he said. In Canada, Quebec and Ontario do the same. B.C. doesn't, instead offering incentives for research instead, such as the Innovative Clean Energy fund.

What is new in the U.S., he said, is the overlay of billions of federal dollars showering down on top of existing incentive programs.

However, the Buy American provisions in the U.S. program, as well as a focus on energy security and job creation, mean Canadian companies will be at the end of the money line, said Wal van Lierop, president of Chrysalix Energy Venture Capital. Chrysalix has five B.C. clean-tech companies in its investment portfolio of 25 companies.

Van Lierop said B.C. companies with a foothold in the U.S. will be able to benefit when most of the money starts flowing this fall. The big danger for Canada is that it will create significant leverage for venture capital investments in the U.S. that don't exist here, he said.

"Canadian companies will just have to work much harder to get some of that money."

Van Lierop said American legislators are as concerned about energy security and job creation as they are about clean energy technologies, creating an additional hurdle for Canadian companies.

The U.S. energy bill has already passed the House of Representatives, but van Lierop believes the jobs issue will have to be played up even more if it is to pass in the U.S. Senate.

Jack Saddler, dean of forestry at the University of B.C. and a specialist in forest-products biotechnology, said the Americans are funneling money into shovel-ready projects that Vancouver companies like Nexterra or Westport Innovations —

Show me the money!
Among the energy-related provisions in the \$787-billion American Recovery and Reinvestment Act are these funding initiatives:

- \$13 billion to extend tax credits for renewable energy production
- \$11 billion for an electricity 'smart grid'
- \$6.3 billion for state and local governments to make investments in energy efficiency
- \$6 billion for renewable energy and electric transmission technologies
- \$5 billion for weatherizing modest-income homes
- \$4 billion for the wastewater treatment infrastructure
- \$3.4 billion for carbon capture experiments
- \$3.25 billion for power transmission system upgrades
- \$2.5 billion for energy efficiency research
- \$2 billion for advanced car battery systems
- \$500 million for training of 'green collar' workers
- \$400 million for electric vehicle technologies
- \$400 million for the Geothermal Technologies Program
- \$300 million for reducing diesel fuel emissions

which refits buses and trucks for natural gas — can take advantage of.

He said the U.S. Department of Energy is putting huge sums of money into what he termed "Star Trek"-like searches for new sources of renewable energy

that may not come on stream for 25 years.

"What the U.S. is doing in this whole area is incredibly impressive," Saddler said. "There is enough money to try to lure away some of the companies."

The incentives are so lucrative

that an American law firm, Stoel Rives, used the markedly un-businesslike header "Show Me the Money!" in an e-mail to clients explaining how the dozens of programs work.

Saddler said that against such a wall of cash, Canada's best op-

tion is to form energy alliances with the U.S. He is part of a new Environment Canada-U.S. Department of Energy clean-energy dialogue, which he would like to see as the first step in establishing a formal clean-energy agreement with the U.S.

Saddler said the billions being spent in the U.S. will make that country the world leader in renewable energy and it would be in Canada's interests to have a formalized agreement, similar to trade agreements. Canada has enough bioenergy locked in our forests as well as fossil fuel reserves to make North America not only green but also energy-independent, he said.

Despite the barriers to getting a piece of the money, some B.C. companies are seeing increased sales and increased interest in their products already.

At Lignol Energy, a B.C. company producing cellulosic ethanol from wood chips, CEO Ross MacLachlan said his company is actively involved in the U.S. — it has a subsidiary in Philadelphia — and has plans to build a \$100-million to \$200-million commercial cellulosic ethanol plant.

Lignol already has a pilot plant in Burnaby and a \$30-million grant from the U.S. Department of Energy to build the commercial plant. That grant could be increased thanks to the stimulus package.


MacLachlan said Canada has renewable programs of its own. However, unlike the wide-open U.S. stimulus program, much of the Canadian aid is targeted at specific sectors, such as the \$1-billion federal green-energy plan announced in June for the Canadian pulp sector.

Smaller established companies like Pulse Energy, a Vancouver energy management company, and Endurance Wind Turbines are also landing U.S. contracts.

Pulse Energy's David Helliwell points to a contract at the Lawrence Berkeley National Laboratory in California for Pulse's energy-efficiency software, and energy credit programs in the U.S. are boosting sales of Endurance's Surrey-made products. Endurance turbines are distributed by U.S.-based John Deere.

"Back orders for our 50-kilowatt units are in the double digits and growing daily," said Endurance sales manager Brennan McLean.

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