



THE HILL

"In order to protect and grow our economy, Congress needs an action plan that will sell our helium supply in a responsible manner that prevents shortages while ensuring that taxpayers get the best deal possible."

Federal helium program: Reforms need to address shortages, inject free-market principles

By: Natural Resources Committee Chairman Doc Hastings
December 10, 2012

For most Americans, the word helium may conjure up images of party balloons and cartoon characters floating in the Thanksgiving Day Parade, but few recognize the essential role it plays in our economy. From high-tech manufacturing to hospitals and scientific labs – our economy and lives in the 21st century are dependent on this lighter-than-air gas. Unfortunately, the impending shutdown of helium sales from the Federal Helium Reserve will create an immediate worldwide helium shortage, threatening our economy and costing tens of thousands of American jobs, unless Congress acts.

The Federal Helium Reserve in Texas, operated by the Bureau of Land Management (BLM), is currently responsible for 30 percent of the world's supply and more than 50 percent of our domestic helium supply. However, by law the Reserve is slated to stop helium sales next year with no alternative to meet our country's helium demands. Congress must act to implement a viable, responsible plan that will prevent impending helium shortages and put in place free market reforms to ensure a better return for U.S. taxpayers as we transition out of an outdated program.

The Federal Helium Program was originally created in 1926 to help the U.S. keep pace with global advancements in military technologies, such as blimps. As we all now know, blimps failed to become essential to our national defense purposes and the U.S. was left with a large reserve of helium that had declining usefulness. But in classic government form, the government kept spending money to operate this helium reserve even when it wasn't necessary and by the 1990s had racked up a \$1.3 billion debt. This prompted Congress in 1996 to pass the Helium Privatization Act, which implemented reforms and required the sale and privatization of the Federal Helium Reserve by 2015.

In the 1996 law, Congress established a formula for pricing the helium based on the price necessary to recover the \$1.3 billion debt. The formula was not based on market pricing. However, the growth of the high-tech industry has caused the demand for helium to

skyrocket. But over the past 16 years the federal price formula for helium has remained the same. As a result, there are several issues that Congress must now address.

First, the BLM will be able to pay off the debt sooner than expected. However, they will do so without having sold off all of the helium in the Reserve. The debt is predicted to be paid off as soon as October of 2013, at which time, by law, the Reserve will no longer have authority to keep selling the remaining helium. By not being able to sell the remaining helium, half of the domestic supply would not be marketable.

A helium shortage would have far-reaching job and economic impacts. Today, helium is essential to the high-tech manufacturing of computer chips and fiber optic cables. Without helium, people also wouldn't be able to get life-saving medical tests like an MRI. Helium may no longer be needed for blimps, but it is a critical component of the technology that drives our economy and shapes our everyday lives.

Second, recent demands and shortages for helium have caused the market price of helium to rise at a price higher than the federal government pricing formula. As recently as early November, the Department of the Interior Inspector General issued a report highlighting that the low federal price means that taxpayers aren't getting the best return for this resource. In addition, current law essentially restricts sales to only a few companies through an allotment system.

Reforms to the Helium Reserve were made in 1996 and today we need to build on those reforms recognizing that both the supply and demand for helium has changed dramatically since then. It is simply not viable to maintain the status quo. The federal government shouldn't give away helium at rock bottom prices - short changing taxpayers and undercutting the development of alternative sources. Instead, Congress must also promote competition and implement free-market reforms. This will ensure a better deal and fair return for taxpayers while also providing stability to the helium industry.

In addition to updating the law, we also need to update the manner in which the government does business. The operations of our Federal Helium Reserve must be subject to more transparency. Earlier this year, an unannounced shutdown of operations at the Federal Helium Reserve threw the entire helium industry into chaos. Some companies came within days of having to shutter their manufacturing operations while waiting for BLM to resume operations. This shutdown came as a surprise to many who depend on helium and we must make sure that BLM is operating in the most transparent and open manner possible.

I will soon be making available draft legislation based on these principles as we prepare to move quickly next year with a bill that can be enacted into law. First and foremost, the goal of any legislation would be to keep the Reserve open until nearly all the excess helium supply is sold. It must be done in a way that achieves a more open helium market that encourages more bidders, more competition and a more accurate price in order to get the best return for taxpayers. It must mandate new transparency standards for BLM operations, and it must promote new development of domestic helium resources so our country is prepared when the Reserve does close.

Reforms must be made that recognize the use and demands for helium in the year 2013. In order to protect and grow our economy, Congress needs an action plan that will sell our helium supply in a responsible manner that prevents shortages while ensuring that taxpayers get the best deal possible.

###

House Natural Resources Committee Press Office
Contact: [Spencer Pederson](#), [Crystal Feldman](#), or [Jill Strait](#)
202-226-9019

<http://naturalresources.house.gov>
[Facebook](#) | [YouTube](#) | [Twitter](#)