

Opening Statement
of
The Honorable Barbara Cubin
Chairman, Subcommittee on Energy & Mineral Resources
Oversight Hearing
on
Geothermal Resources on Public Lands:
The Resource Base and Constraints on Development"
May 3, 2001

This is the fifth Subcommittee hearing on issues concerning energy supplies from our public lands. We have focused upon fossil fuels in previous hearings, but today our topic is the discussion of geothermal energy found on our public lands. We would like to explore the questions of how much of this resource is geologically available to tap; how much may be economic to do so for electricity generation or direct heat uses; what, if any, regulatory or statutory constraints are preventing such development?

The Geothermal Steam Act of 1970 authorizes the Secretary of the Interior to competitively lease public lands for geothermal energy development. As with oil, gas and coal resources, this authority extends to U.S. Forest Service-administered lands as well, with the consent of the Department of Agriculture. This Act requires the Secretary to levy a royalty of between 10% and 15% of the value of the geothermal resource, which is a higher rate than the typical onshore oil and gas lease. Furthermore, when geothermal steam drives a turbine to make electricity, seldom is there an arm's-length sales market upon which to judge the value of the steam as it leaves the wellbore. Thus, a net-back approach to valuing the steam is necessary. Deductions for operating costs, transmission costs, and return on capital investment are factored in to determine royalty value of the steam.

Are these calculations fair? Does this royalty rate inhibit decisions to generate electricity from geothermal resources? Or are other factors, such as capital costs and facility siting and permitting problems, more likely to cause the decision to not build a geothermal power plant or utilize geothermal energy in direct heat applications?

I want to thank our witnesses for coming today to enlighten us as to these questions. Wyoming isn't known as a "hotbed" of geothermal energy, except for the thermal features of Yellowstone National Park, WHICH I DO NOT ADVOCATE TAPPING FOR ELECTRIC POWER !! But, I feel strongly that this resource should not be overlooked where it does makes economic sense to exploit it.

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