

Testimony for H.R. 3709

House Subcommittee on Energy and Mineral Resources

Geothermal Energy Association - February 24, 2010

Mr. Chairman and members of the Subcommittee, my name is Doug Glaspey and I am here today representing the Geothermal Energy Association as a member of our board of directors. The Geothermal Energy Association is a trade association composed of U.S. companies who support the expanded use of geothermal energy and are developing geothermal Resources worldwide for electrical power generation and direct-heat uses.

Our membership includes a wide range of interests, including large utilities and Independent Power Producers, equipment suppliers, and drilling companies, Technical and Financial Service Providers, in addition to Developers, primarily focused on the exploration, development and generation of clean, base load electricity from our country's great geothermal resource base. A GEA report issued in January 2010 shows that the geothermal power industry has 3,150 MW of installed capacity in the United States with 6,440 MWs of new projects under exploration and development.

The Geothermal Energy Association strongly supports H.R. Bill 3709, the Geothermal Production Expansion Act. Very simply, it allows a developer that has invested capital and taken exploration risk that results in the discovery of a geothermal resource, the ability to assemble the whole resource so a power plant can be financed and built without exposing the project to the high cost of speculation and delays. We believe H.R. 3709 is an important policy adjustment that should be available to the geothermal industry and will accelerate the development of our geothermal resources, create new jobs, and provide additional revenue for the United States treasury.

HR 3709 addresses a vexing problem as the private sector ramps up to develop this proven renewable resource. A large portion of the potential geothermal resources in the United States are located on federally administered lands in the West. Oftentimes these resources are mixed with private and state land.

The geothermal provisions in the Energy Policy Act of 2005 were intended to support and increase the production of geothermal energy in the United States. A provision of EPACT 2005 mandated a change in how geothermal leases are issued -- from an open leasing system to an auction based system. These changes were implemented with the first auction of geothermal leases in 2007.

The changes to the geothermal steam act made by the EPACT 2005 have proven beneficial for the geothermal industry as well as for federal, state and county governments who share in the leasing fees. While allowing a significant amount of federal lands to be leased, a challenge was created by the new leasing rules when there are intermixed lands (public, private and state). This issue was brought to light during the public forums held to discuss the proposed rules issued by the BLM in July 2006, but there is no specific provision in the statute that allowed for an exception to address the circumstances of intermixed land.

Under the EPACT 2005 leasing provisions, the BLM is allowed to issue non-competitive leases under three specific circumstances; leases to mining claim holders that have a valid operating plan (have invested capital), direct use leases, and leases on parcels that do not sell at a competitive auction. The mining claim category is very similar to the situation addressed by the proposed language in H.R.3709.

H.R. 3709 would create a fourth category whereby the BLM would have the authority to issue a non-competitive geothermal lease for federal lands that adjoin a commercial discovery, but only if those federal lands are not leased or nominated for lease under the auction system, and if the applicant has demonstrated that the geothermal discovery extends on to the adjoining federal lands.

This change would provide the following benefits:

- Developers that have invested substantial capital and made high risk investments would be allowed to secure a discovery.
- Development of the geothermal resource would accelerate the creation of drilling, construction, supply and operating jobs.
- The financing capabilities of geothermal projects would increase.
- All non-competitive leaseholders would be required to pay a market average “bonus” fee and thereby increase the short term fees paid to the federal government.

- Increased development will provide higher revenue to the federal government with the payment of production royalties over decades.

In addition, it would provide for the most efficient development, since optimal development of a geothermal resource requires that the developer control the resource. Fragmented ownership adds significant additional time and cost to development, and may in some instances stop development altogether.

We believe that it is appropriate for all leases issued under all of the non-competitive categories to pay a filing fee set at the fair market value per acre as determined by the Secretary of Interior. If a fair market value isn't determined by the Secretary, then a fee of \$100 per acre is due. This fee is fair and provides additional funds for the BLM leasing program. Recipients of non-competitive leases should be required to pay at least the average market rate for the privilege of being granted a non-competitive lease.

H.R. 3709 has been carefully vetted, and is narrowly focused to provide a specific remedy for the adjoining or intermixed lands issue, so that when a commercial geothermal resource has been identified, and it has these specific challenges and conditions, it can avoid delays and be developed in a timely, cost effective manner.

Thank you for considering the Geothermal Energy Association's comments on this important issue. I am happy to respond to any questions.