

Testimony Supporting
Timely Geothermal Development

House of Representatives
Committee on Natural Resources
Subcommittee on Energy and Mineral Resources

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Mr. Chairman and members of the Subcommittee, my name is Scott Nichols, Permitting and Lands Manager for U.S. Geothermal. U.S. Geothermal is a publicly traded company that explores for, develops, builds and operates utility scale geothermal power plants. We are also a board level company of the Geothermal Energy Association, 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. The membership of the Geothermal Energy Association includes large utilities and Independent Power Producers, equipment suppliers, drilling companies, technical and financial service providers, in addition to developers like U.S. Geothermal. I am here today representing U.S. Geothermal Inc. and providing oral comments for both U.S. Geothermal and the Geothermal Energy Association.

U.S. Geothermal and the Geothermal Energy Association strongly support this draft Bill; the individual components of which have had bipartisan support for a number of years. The Bill addresses four issues that continue to unnecessarily delay geothermal energy development, result in direct financial losses to the Office of Natural Resource Revenue (ONRR) and require an unnecessary level of staff management.

The first provision of the Bill creates an exemption from the National Environmental Policy Act (NEPA) for geothermal exploration drilling as long as very specific conditions are met and no extraordinary environmental conditions exist. The provision facilitates geothermal exploration and is consistent with categorically excluded activities that are currently allowed by the Department of Energy and by the Department of Interior for mining exploration and for oil and gas drilling.

The second provision of the draft Bill directs the Secretary of Interior, in consultation with the Secretary of Energy, to designate portions of covered lands as priority geothermal leasing areas as soon as practicable but not later than 5 years after enactment of the Bill.

The provision also directs the Bureau for Land Management to amend the geothermal Final Programmatic Environmental Impact Statement (PEIS) to include priority geothermal leasing areas and requires a 10 year review to ensure that priority geothermal leasing areas remain current and appropriate. Geothermal resource development continues to be one of the most highly regulated uses of public lands and requires multiple, often duplicative Environmental Analyses. This provision simply insures that the Bureau of Land Management proactively works in collaboration with other agencies and industry to identify priority geothermal development areas and requires proactive environmental review for the “priority geothermal leasing areas”.

The third provision of the draft Bill allows noncompetitive leasing of geothermal resources when the geothermal resource will be co-produced from a well that is or is capable of, producing oil and gas resources. The EPO Act of 2005 did not anticipate the possibility of co-produced energy resources. As a result the geothermal leasing regulations do not allow the owner of an oil and gas well to utilize geothermal energy without taking additional financial and development risks. The result is that potential federal revenue is lost and potential renewable energy resources are not developed.

The last provision of the Bill would, under very specific provisions, allow a qualified lessee that has made a valid geothermal discovery to noncompetitively lease up to 640 acres of adjacent federal geothermal resources. One of the provisions of EPO Act 2005 mandated that federal geothermal leases be offered first through a competitive auction. In many locations, federal resources are mixed with private and state land. Leasing and permitting on federal lands require more time and has a greater financial risk. As a result, private and state geothermal resources can be developed while adjacent federally managed resources remain unproductive. This Bill remedies that situation, and requires the lessee to pay the market price for the lease, which maximizes potential federal geothermal revenues. Further, it allows a geothermal company that has invested substantial capital to secure their valid geothermal discovery and move the project to construction.

The provisions of this bill have been carefully vetted over several years and provide a much needed remedy to some of the problems related to leasing and developing geothermal resources on federally managed lands. The provisions of this bill are narrowly focused and provide much needed benefits for all stakeholders. The United States leads the world in clean, base load power generation from geothermal resources, and we would like to see us retain that preeminent position.

Thank you for considering our comments on this important issue to the geothermal industry. I am happy to respond to any questions.