



NEWS

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Interior Program Encourages Greater Development Of Geothermal Energy on Federal Lands

Competitive Leasing, Simplified Royalties, Payments to Western Counties

WASHINGTON – Assistant Secretary of the Interior C. Stephen Allred today unveiled the Department’s latest initiative to promote greater use of renewable energy, announcing new incentives to increase the development of geothermal resources on federal lands.

“Secretary Kempthorne is committed to developing alternative energy, such as geothermal, wind, and solar,” Allred said. “At his confirmation hearing, the Secretary emphasized the importance the President and Congress placed on renewable sources and pledged to develop their great potential to help increase and diversify our Nation’s energy supply while sustaining clean air and conserving and protecting other natural resources.”

The new regulations on geothermal energy production on public lands expand Interior’s efforts to encourage environmentally responsible development of renewable energy resources while ensuring a fair return to the United States, Allred said.

The regulations, which will be published in tomorrow’s Federal Register, require more competitive leasing, offer simplified royalty calculations and share \$4 million per year in current royalties with counties where production occurs. They were drafted and published by the Bureau of Land Management and the Minerals Management Service -- agencies within the Department.

Geothermal resources, such as steam and hot water, are used directly to heat buildings and in greenhouses and aquaculture, and indirectly to generate electric power. This energy accounts for 17 percent of the electricity generated from renewable sources in the United States. About half of the nation’s geothermal energy production occurs on federal land, much of it in California and Nevada, and 90 percent of the potential resources are located on public lands as well. Other states with geothermal activity include Oregon, Utah, Idaho and New Mexico.

The new rules require competitive leasing for geothermal development rights on nearly all federal lands designated for this type of development. If no bids are received, these resources would be available for leasing on a non-competitive basis for two-year periods. The Bureau of Land Management currently administers about 423 geothermal leases; 55 of those are producing geothermal energy, including 34 power plants. The bureau has been expediting the application process for geothermal leases, issuing almost 300 leases since 2001, compared to 20 leases from 1996-2001.

The revamped Minerals Management Service's regulations offer an easy-to-use fee schedule (in lieu of royalties) for the direct use of geothermal resources that provides incentives to encourage the development and expansion of this alternative energy source. The MMS rules also simplify the royalty calculations for electrical generation leases by basing royalties on a percentage of gross proceeds from the sale of electricity. This would reduce industry's administrative costs to comply.

The two sets of rules, which were proposed last July for public comment, were written in response to the Energy Policy Act of 2005, which mandated comprehensive changes to leasing and royalty policies to encourage geothermal energy use without imposing additional administrative burdens on industry or government agencies.

The law mandates that 25 percent of the royalties from geothermal production be paid to the counties where the production occurs, increasing those local governments' revenues initially by \$4 million a year. MMS began making direct payments to counties shortly after the law was signed.

Half of the royalties are shared with state governments, and the remaining 25 percent go to the U.S. Treasury. Previously, geothermal royalties were divided equally between federal and state governments. Interior is currently able to use these funds to implement the geothermal provisions of the Energy Policy Act for a period of five years.

Geothermal leasing is permitted on Interior and other federal lands that are designated for this type of development, but not on restricted public lands, such as national parks, wilderness areas, recreation areas and other protected lands.

The final MMS rule can be accessed via the web at <http://www.mrm.mms.gov>
The final BLM rule is available online at <http://www.blm.gov>