The NewsRoom
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Geothermal Rules Encourage Alternative Energy Development on Federal Lands

Provide $4 Million in Revenue for County Governments

WASHINGTON – To encourage geothermal energy development on federal lands, Interior Secretary Dirk Kempthorne today announced proposed rules that would require more competitive leasing, offer simplified royalty calculations and share $4 million in current royalties with counties where production occurs.

"Developing alternative energy sources, such as geothermal, wind, and solar, helps to increase and diversify our Nation's energy supply," Kempthorne said. "These draft regulations would add another tool in our efforts to encourage environmentally responsible development of renewable energy resources while ensuring a fair return to the United States. We welcome public comment."

The proposed rules are published in today's Federal Register by the Interior Department's **Bureau of Land Management** and **Minerals Management Service**. This Notice of Proposed Rulemaking opens a 60-day public comment period.

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. Half of the Nation's geothermal energy production occurs on Federal land, much of it in California and Nevada. Other states with geothermal activity include Oregon, Utah, Idaho, and New Mexico.

The **Bureau of Land Management's** proposed rule would require competitive leasing for geothermal resources on nearly all federal lands designated for this type of development. If no bids are received, then these resources would be offered non-competitively for two-year periods.

The proposed **Minerals Management Service's** regulations establish a 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 rule also would simplify the royalty calculations for electrical generation by basing them on a percentage of gross proceeds from the sale of electricity. This rule would reduce industry's administrative costs to comply.

The draft rules also mandate that 25 percent of the royalties be paid to the counties where the production occurs, increasing those local governments' revenues initially by more than $4 million a year.

The two sets of proposed rules 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. Previously, geothermal royalties were divided equally between federal and state governments. Under the new rules, the royalties would be divided as follows: county governments would receive 25 percent, state governments 50 percent and the federal government 25 percent. The new regulations place no additional burdens on local governments.

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, national recreation areas and other protected lands. The BLM currently administers about 350 geothermal leases; 55 of those are producing geothermal energy, including 34 power plants. The BLM has been expediting the application process for geothermal leases, issuing more than 200 leases since 2001, compared to 25 leases from 1996-2001.

Written comments on the BLM rules may be submitted by any of the following methods: regular mail to Director (630), Bureau of Land Management, Administrative Record, Room 401 LS, Eastern States Office, 7450 Boston Boulevard, Springfield, Virginia 22153; personal or messenger delivery to Room 401, 1620 L Street, NW, Washington, DC 20036; e-mail to Federal eRulemaking Portal at **www.regulations.gov**; or e-mail to **comments_washington_@blm.gov** (include "Attn: RIN 1004-AD87"). More on the BLM's efforts to implement the Energy Policy Act are at **www.blm.gov/nhp/spotlight/epa2005/** or call Kermit Witherbee at (202) 452-0385.

Comments on the MMS rule may be submitted via regular U.S. Mail to: Minerals Management Service, Minerals Revenue Management, P.O. Box 25165, MS 302B2, Denver, Colorado 80225; or via e-mail at: **mrm.comments@mms.gov**. Please include "Attn: RIN 1010-AD32" and include your name and address. Persons seeking additional information on the MMS rule may contact Sharron Gebhardt, Lead Regulatory Specialist, MMS, P.O. Box 25165, MS302B2, Denver, Colorado 80225; via e-mail at **sharron.gebhardt@mms.gov**; telephone at (303) 231-3211; or fax at (303) 231-3781. All public comments received will be reviewed and considered before the draft rules are finalized. The comment period for both rules ends Sept. 19, 2006.

Relevant Web Site:
MMS Main Website

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