

Geothermal Leasing Old Law vs New Law (HR 6): Highlights

| | Old Law | New Law |
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| <u>Changes in Existing Law</u> | | |
| Leasing | Government decides high potential areas by designating “known geothermal resource areas.” Tracts in KGRAs must be sold competitively, all other lands may be available non-competitively, but applications "must be rejected where the land is found to be within a known geothermal resources area prior to lease issuance (IBLA 87-796)." | Market decides high potential areas. All tracts are first put up for competitive bid, highest bid wins. Tracts not receiving bids then available non-competitively for two years. |
| Lease Sales | Leasing a discretionary act under the law. Leasing applications unprocessed for decades in many states. | In states with nominations, BLM required to hold lease sales at least every two years. |
| Direct Use (heating, farm use, greenhouses, etc.) | No special provisions. Terms same as leases for electric power generation | Non-competitive process for direct use leasing. Fee schedule by BLM in lieu of royalty. State and local government and Indian Tribes charged only a nominal fee. Smaller leases allowed. |
| By-products | Co-production of minerals subject to royalty | Co-production of minerals not subject to additional royalty |
| Royalty Rate | 10-15% of “value of steam” Uses complex “net back” methodology which is volatile and often results in no royalty in first four years of production | Two tiers on “gross proceeds” set by regulation: Years 1-10, between 1% and 2.5% Years 11-on, between 2% and 5%** |
| Royalty Share | 50-50 State-Federal | 50-25-25 State-Federal-County State and county governments can negotiate for electricity in lieu of royalty. |

New Leasing Provisions

Forest Service

MOU between Interior and Agriculture on leasing and development of resources on Forest Service lands required by March 2006

Near-term Production Incentive

Royalties on new plants or expansions reduced 50% for four years if placed in service within six years of enactment

Other Provisions

National Geothermal Resource Assessment

USGS to conduct new national Geothermal Resource Assessment over next three years (last USGS assessment was conducted in the 70s)

Pending Lease Applications

Processed under terms of the law prior to these amendments, or at option of the lease applicant can be processed under terms of new law.

Use of Royalty Revenues

Federal share of geothermal royalties is available to the Secretary, without further appropriation, for next five years to implement law

**According to federal officials, this is equivalent to the range of royalties paid by lessees under existing law.

Revised by the Geothermal Energy Association, October 6, 2005