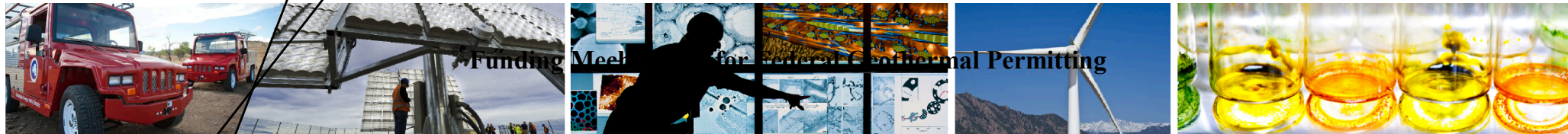


# Funding Mechanisms for Federal Geothermal Permitting



**2013 GRC Annual Meeting**

**Kermit Witherbee**

**Katherine Young**

**Aaron Levine**

**October 1, 2013**

## INTRODUCTION

---

- **Background**
  - Geothermal Regulatory Roadmap
  - Funding concerns raised by both agency and industry participants
- **Revenues**
  - Authorities for revenue collection
  - Revenue sources
    - Lease Revenues
    - Cost Recovery
  - Revenue Distribution
- **Financial Relationships**
  - Annual Congressional Appropriations
  - Historical Appropriations
  - Set-Aside Budgets
  - Cost Recovery Budgets
- **Budgets**
  - Current Budgets
  - Mechanisms for Increasing Budgets
- **Conclusions**

## BACKGROUND

- Geothermal Regulatory Roadmap (GRR)
  - Initiated by Department of Energy’s Geothermal Technologies Office
  - March 2012 to facilitate the development of utility-scale geothermal power
  - The GRR team conducted a series of workshops during the summer of 2012 and spring of 2013 which included key representatives of federal and state regulatory agencies, industry and other stakeholders involved in geothermal permitting
- Issues raised on agency resources and funding

Concern	Description	Potential Solution Discussed	Action	Action Initiated	
I	Human Resource Issues	Lack of Experienced personnel to process permits due to a variety of human—resource related issues such as staff turnover, lack of dedicated personnel, lack of geothermal funding to process permits, frequent periods of non-availability such as training, vacations, other agency priorities	Have backups for all permits so if someone goes for vacation, backups can keep permit moving forward	Budget/Staffing	BLM FY 13 Budget Request
A	Competing Priorities and Budgets	Processing geothermal isn't always the agency’s top priority (e.g. USFS must contend with fire season) must spend time based on budget allocations.	Cost-recovery programs for geothermal	Regulatory	
			Increased geothermal applications to fund hiring of consultants	Regulatory	

# Funding Mechanisms for Geothermal Permitting

## REVENUES: Description of BLM Mineral and Realty Revenue Authorities.

Revenue Authority	Year	Technology	Description	Agency	Comments
<b>Congressional Acts</b>					
<b>The Independent Offices Appropriations Act (IOAA) of 1952</b>	1952	No specific	Authorized federal agencies to charge processing costs and fees for processing documents and applications. Required development of regulations	ALL	Deposited in Federal Treasury
<b>The Federal Land Management Policy Act of 1976 (FLPMA), Sec. 304 and Sec. 504</b>	1976	Realty (solar, wind), geothermal, oil and gas, coal, nonenergy leasable minerals, mineral materials, mining law.	Specific Authorities to charge fees for processing applications and other documents related to public lands	DOI & USFS	Deposited in Federal Treasury
<b>Energy Policy Act of 2005, Section 364</b>	2005	Oil and gas	Established a permit processing fund for BLM O&G Pilot Offices	BLM	Forbid BLM to institute APD processing fees until congressional approval
<b>Energy Policy Act of 2005, Section 234</b>	2005	Geothermal	Provided for 25% of geothermal revenues made available to DOI for implementation of revisions to Geothermal Steam Act for a period of 5 years	BLM	Funds transferred directly to DOI, not subject to appropriations or FY limitations; fund rescinded in DOI FY 2010 Appropriations Act
<b>Regulations</b>					
<b>43 CFR § 3203.12; CFR § 3000.12</b>	2012	Geothermal	Geothermal lease nomination fee	BLM	Adjusted annually. Currently \$110 per nomination + \$0.11/acre
<b>43 CFR § 3000-3870</b>	2012	Oil and gas, geothermal, coal, solid minerals, mining	Document and application processing fees: Lease applications, assignments Leasing nominations	BLM	Adjusted annually
<b>Annual Appropriations</b>					
<b>Department of Interior Appropriations, FY 2008</b>	2008	Oil and gas	Authorized an APD permit process fee for \$4,000.00	BLM	Oil and Gas , Receipts deposited in Federal Treasury, an offsetting collection
<b>Department of Interior Appropriations, FY 2010</b>	2010	Oil and gas	Increases APD processing fee to \$6,500	BLM	Receipts deposited in Federal Treasury, an offsetting collection
<b>Department of Interior Appropriations, FY 2011-2014</b>	2011	Oil and gas	BLM shall collect a non-refundable inspection fee to be deposited in the "Management of Lands and Resources Account"	BLM	So far not authorized by Congress. Inspection fee for compliance inspections, receipts deposited in Federal Treasury, an offsetting collection

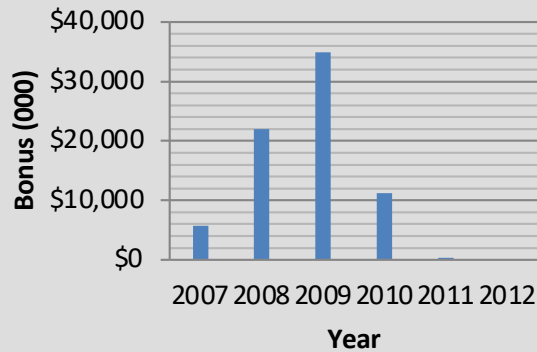
The BLM collects geothermal revenues on BLM- and USFS-managed lands. Revenue Authority Year

## REVENUES: Geothermal Lease Revenues (FY 2007-2012)<sup>1</sup>

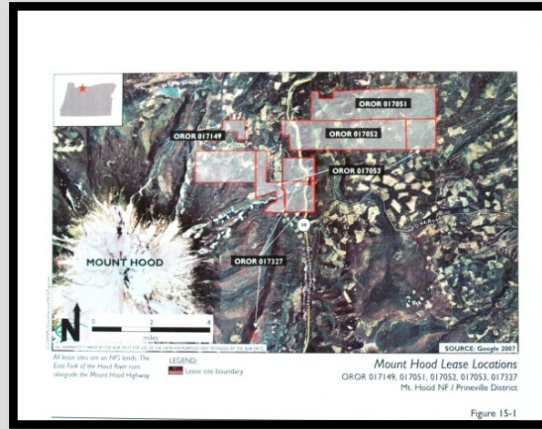
### Competitive Sale Bonus Bids



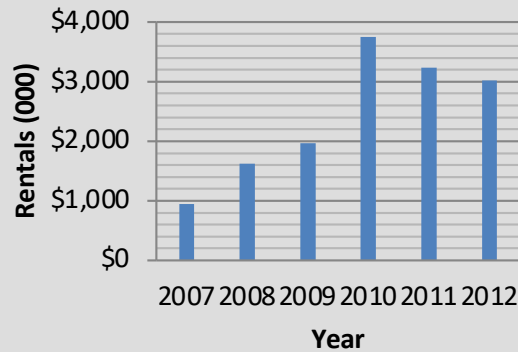
\$74 million



### Lease Rentals



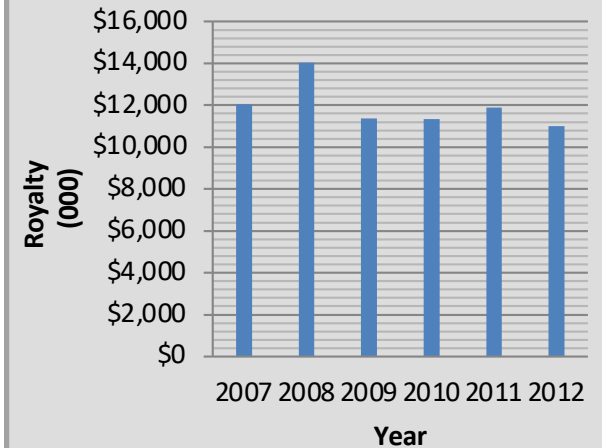
\$15 million



### Production Royalties



\$72 million



<sup>1</sup>150% shared with the States, 25% to the Counties, 25% to DOI (FY2006-2009) then 25% reverted to US Treasury.

## REVENUES: Current BLM Fees on BLM and USFS lands.<sup>1</sup>

Geothermal and Oil and Gas Application / Document <sup>2</sup>	FY 13
Geothermal Drilling Permit (GDP) – Geothermal only	\$0
Application for Permit to Drill (APD) – Oil and Gas only	\$6,500
Noncompetitive lease application (From #)	\$390
Competitive lease application	\$150
Assignment and transfer of record title or operating right	\$85
Name change, corporate merger or transfer to heir/devisee	\$205
Lease consolidation	\$430
Lease reinstatement	\$75
Nomination of land – Geothermal only	\$110
Plus per acre nomination fee – Geothermal only	\$0.11
Site license application – Geothermal only	\$60
Assignment or transfer of site license – Geothermal only	\$60

<sup>1</sup> 43 CFR § 3200.12

<sup>2</sup> Note: with the exception of drilling permit fees, most other fees are the same for geothermal as for oil and gas.

## REVENUES: 2013 Cost Recovery Processing & Monitoring Fee Schedule

Processing and Monitoring Category	Federal Work Hours Involved	Processing and Monitoring Fee
Applications for new grants, assignments, renewals, and amendments to existing grants	Estimated federal work hours are >1 - 8	\$117
	Estimated federal work hours are > 8 - 24	\$410
	Estimated federal work hours are > 24 - 36	\$773
	Estimated federal work hours > 36 - 50	\$1,108
Master Agreements	Varies	As specified in the agreement
Applications for new grants, assignments, renewals, and amendments to existing grants	Estimated federal work hours are >50	Full reasonable costs (FLPMA); Full actual costs (MLA)

<sup>1</sup> (ROW) regulations at 43 CFR 2804.25(c) and 43 CFR 2884.21(b)



FINANCIAL RELATIONSHIPS

Financial Relationship



Developers

Federal Treasury



BLM





## FINANCIAL RELATIONSHIPS

### BLM/USFS Revenues:

- All revenues collected for geothermal development and operation go through the BLM, directly to the Federal Treasury
- Examples include: lease revenues, permit application fees, and production royalties



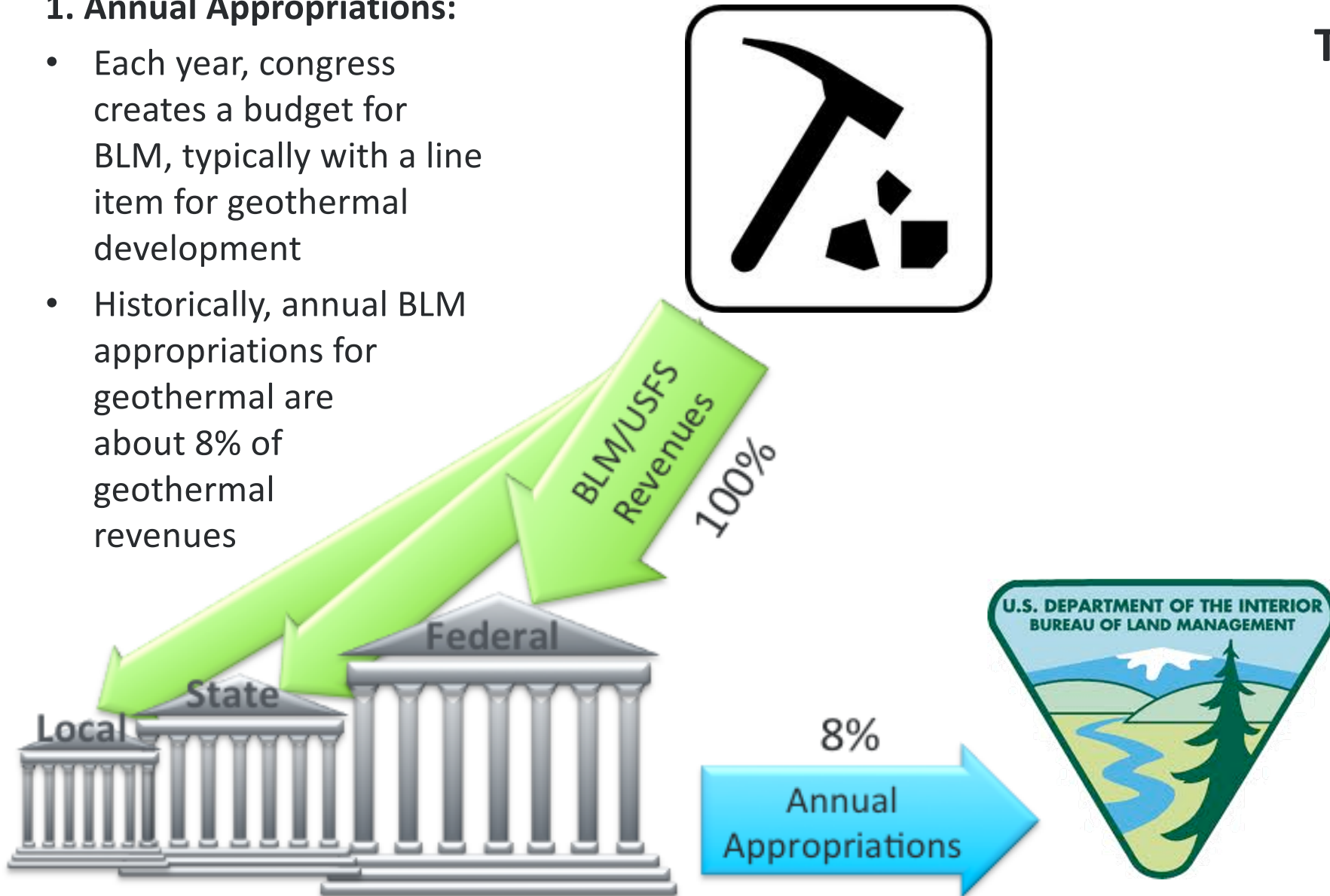
TYPICAL  
YEAR



## FINANCIAL RELATIONSHIPS

### 1. Annual Appropriations:

- Each year, congress creates a budget for BLM, typically with a line item for geothermal development
- Historically, annual BLM appropriations for geothermal are about 8% of geothermal revenues



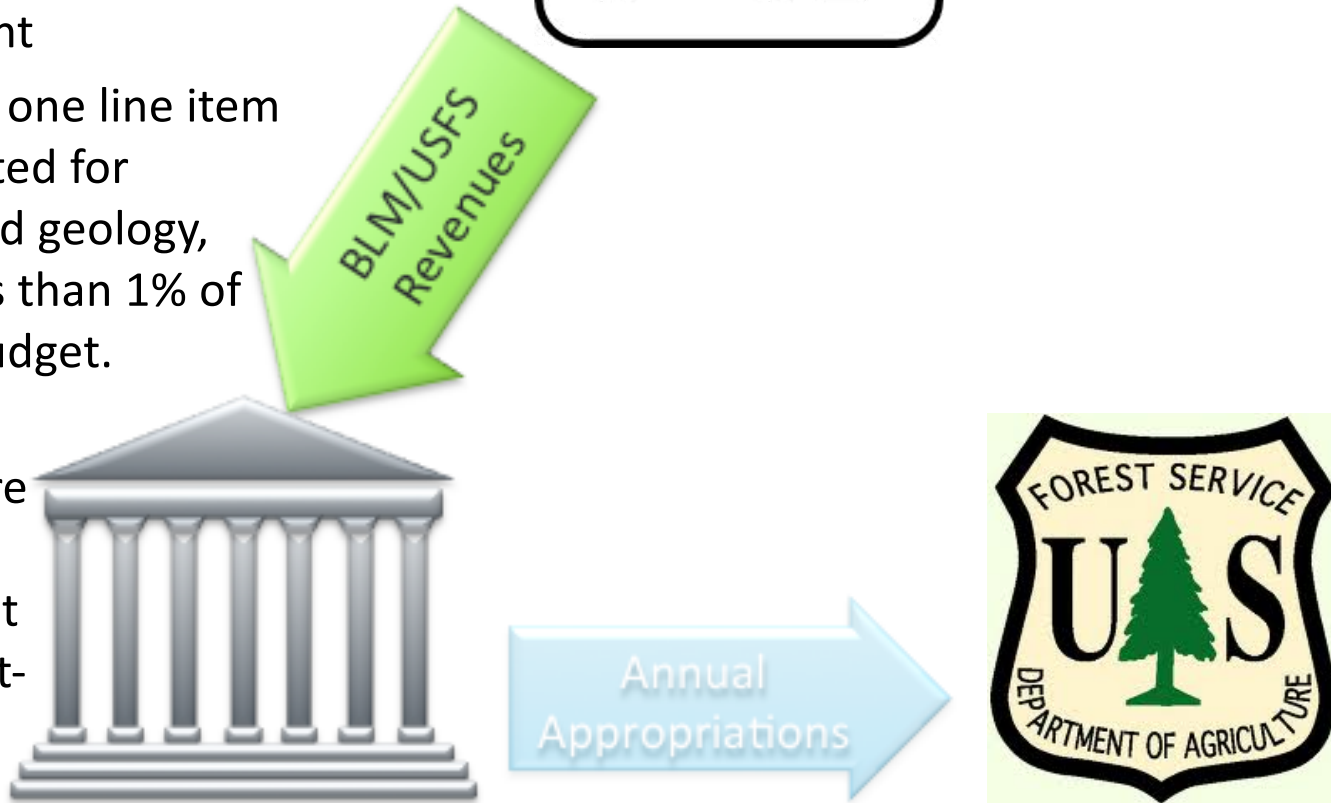
## FINANCIAL RELATIONSHIPS

### 1. Annual Appropriations:

- Each year, congress creates a budget for USFS, but there is no line item for geothermal development
- Historically, one line item has accounted for minerals and geology, totaling less than 1% of the USFS budget.
- Spending decisions are based on priorities set at the forest-unit level.



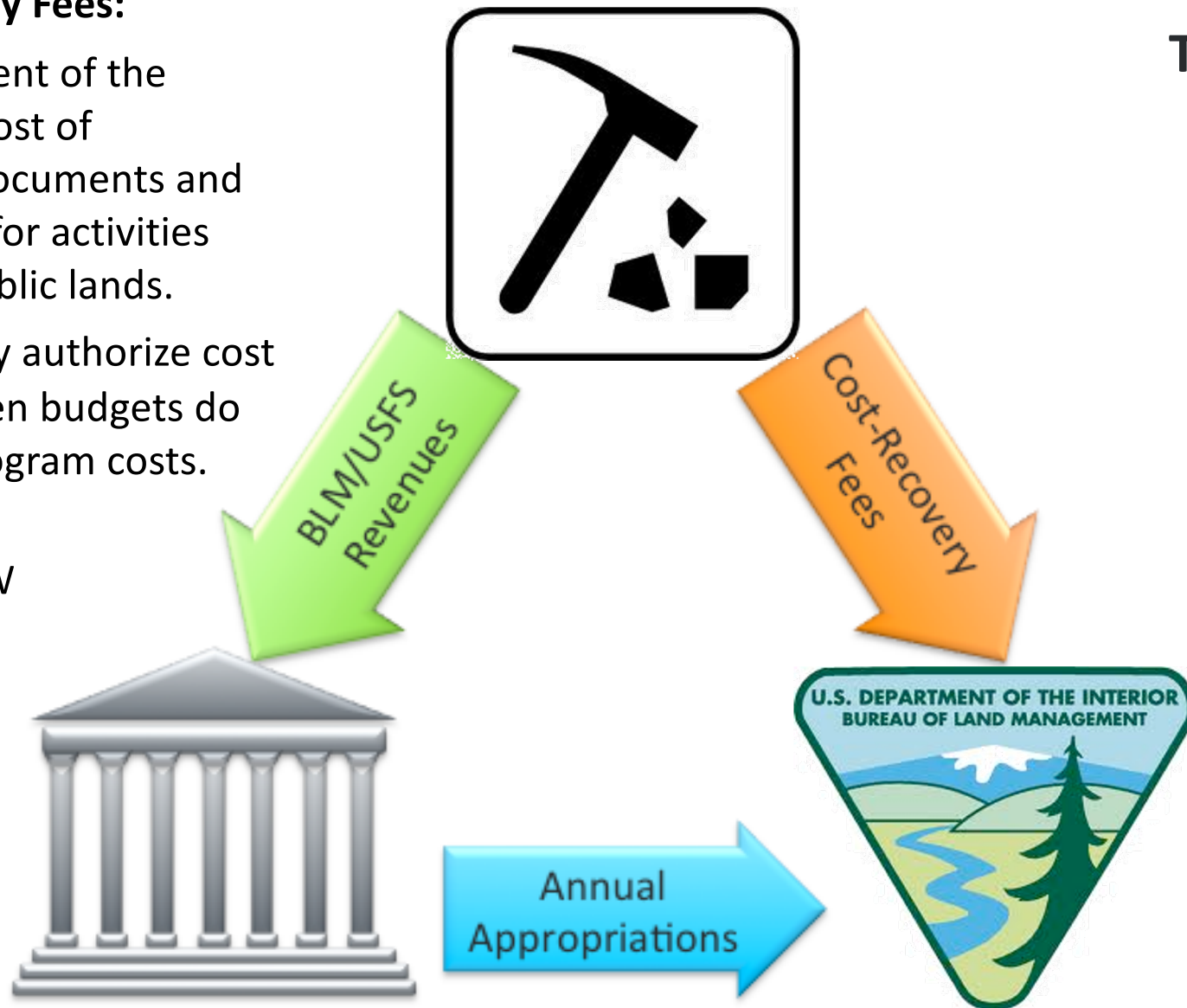
TYPICAL  
YEAR



## FINANCIAL RELATIONSHIPS

### 2. Cost-Recovery Fees:

- Reimbursement of the reasonable cost of processing documents and applications for activities related to public lands.
- Congress may authorize cost recovery when budgets do not cover program costs.
- Example is the BLM ROW process.

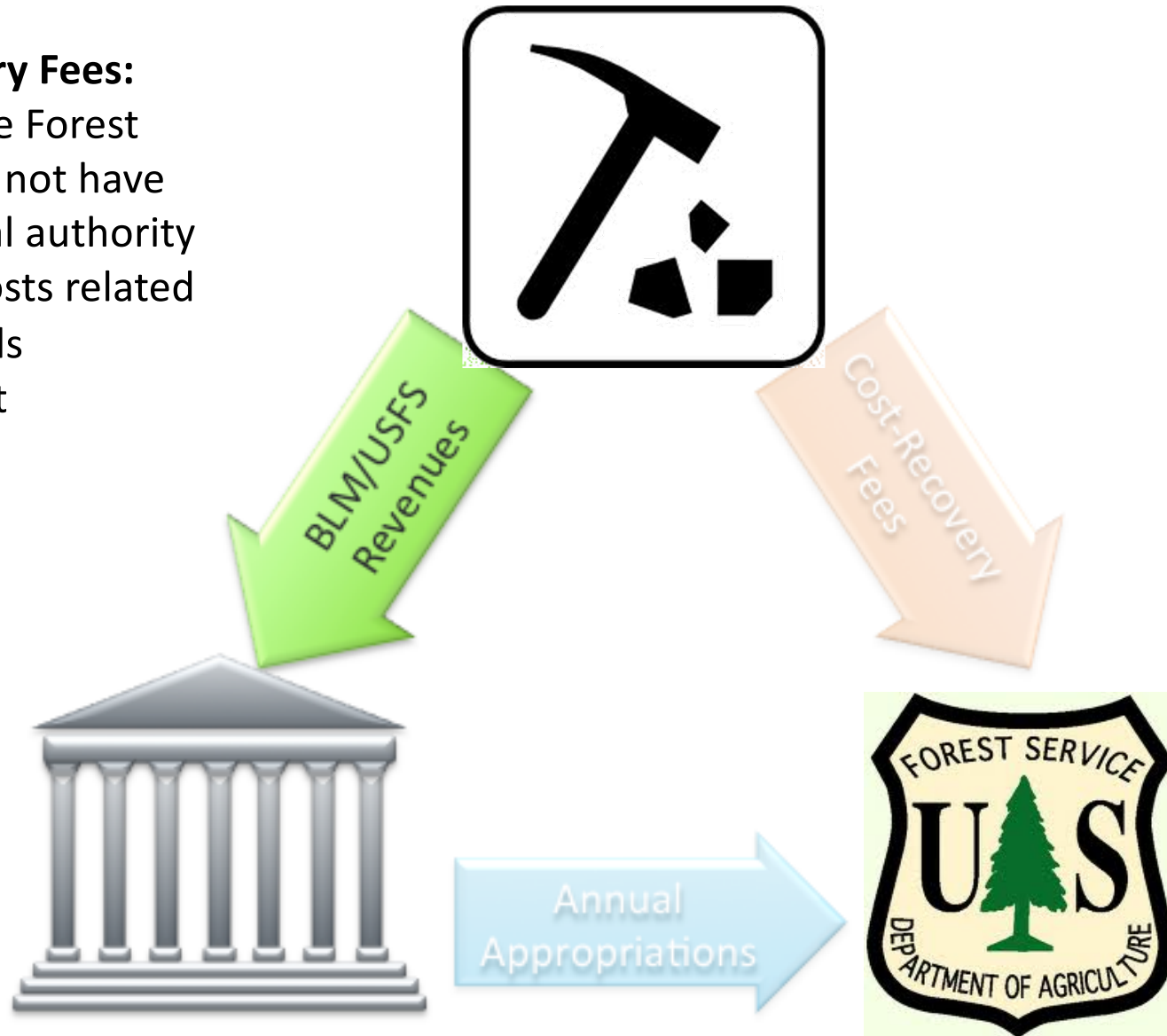


## FINANCIAL RELATIONSHIPS

### 2. Cost-Recovery Fees:

- Currently, the Forest Service does not have congressional authority to recover costs related to its minerals management programs.

TYPICAL  
YEAR

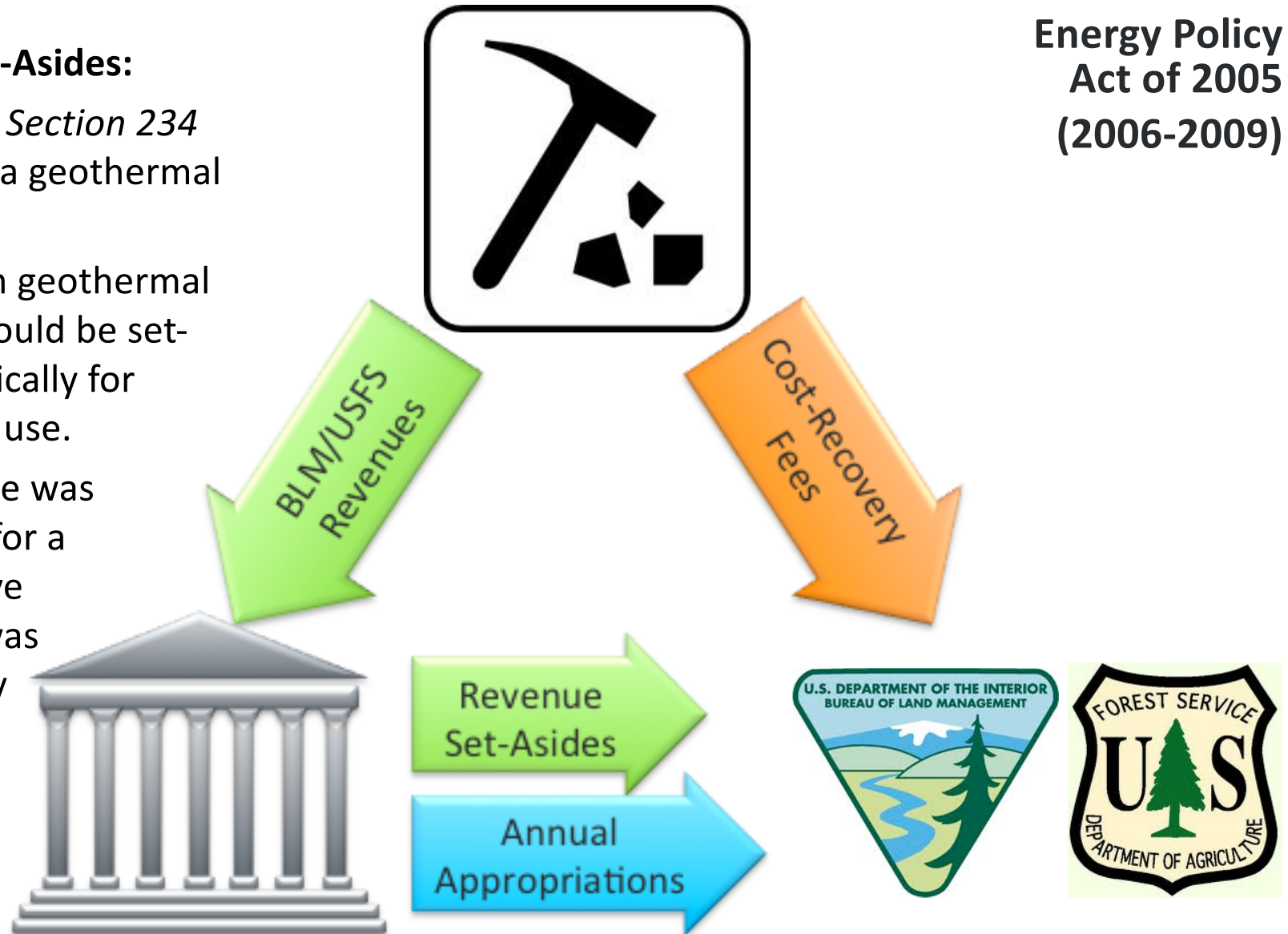




## FINANCIAL RELATIONSHIPS

### 3. Revenue Set-Asides:

- *EPAct 2005, Section 234* established a geothermal set-aside.
- Money from geothermal revenues would be set-aside specifically for geothermal use.
- The set-aside was authorized for a period of five years, but was cancelled by congress a year early.



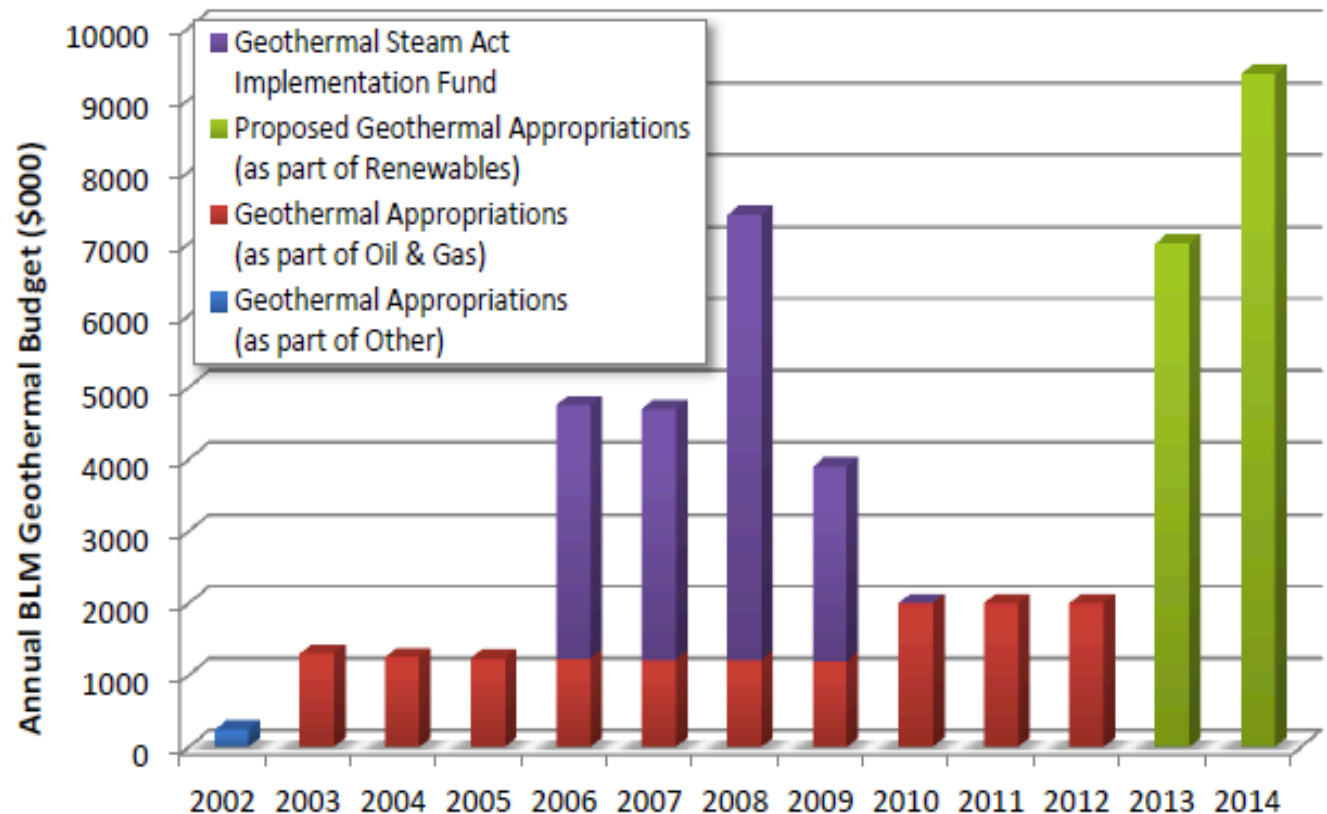
## BUDGETS: Historical Geothermal Budgets

### Impacts of the EPAct Set-Aside

1. Revision of BLM Geothermal Regulations.
2. Development of USGS Geothermal Resource Assessment.
3. Reprogramming of Mineral Management Service's (now ONRR) geothermal accounting programs.
4. Analyses & development of a Geothermal Leasing PEIS.
5. Increase in staffing, planning activities, environmental review, leasing, and permitting for USFS and BLM -> clearing backlog of applications.

### Energy Policy Act of 2005:

The set-aside tripled the BLM geothermal annual budgets and allowed for a significant increase in federal agency geothermal activity.

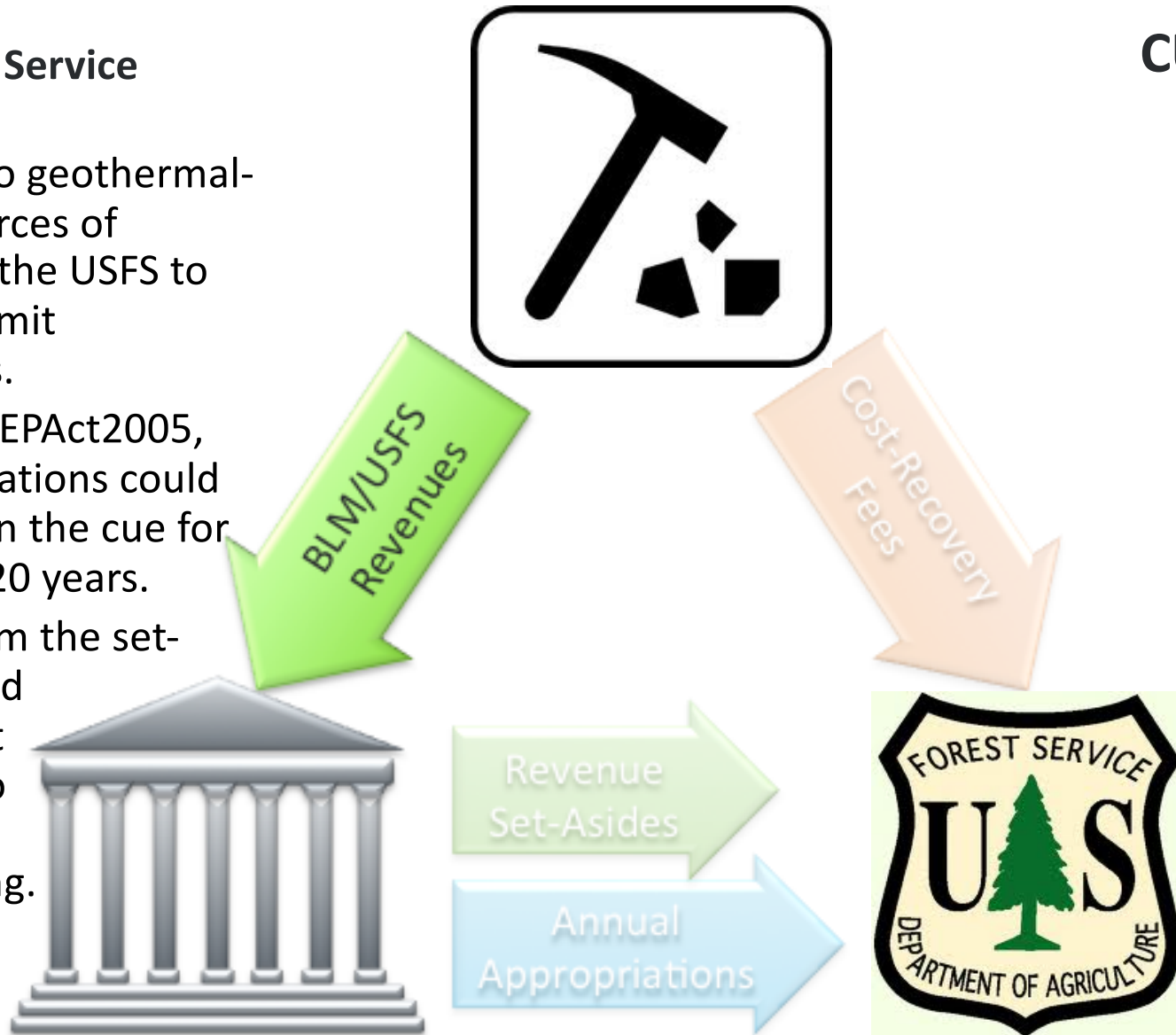




## FINANCIAL RELATIONSHIPS

### Current Forest Service Funding:

- There are no geothermal-specific sources of funding for the USFS to process permit applications.
- Previous to EPAAct2005, lease applications could be waiting in the cue for more than 20 years.
- Funding from the set-aside cleared the cue, but now back to pre-EPAAct 2005 funding.



**CURRENTLY**

BUDGETS: Current Funding Mechanisms

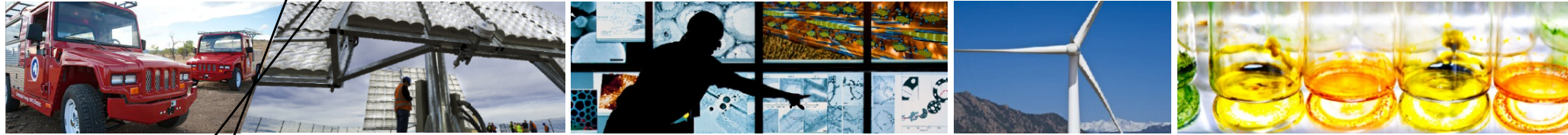
**Summary of Geothermal-Specific Funding Mechanisms for BLM**

Agency Funding Mechanism	Example	How Authorized	Congressional Review	Currently Exists
Appropriation	Annual BLM geothermal budget	Congress	Annually	BLM
Cost-Recovery	BLM ROW cost-recover program	Congress	By request	BLM (ROWS only)
Set-Aside	EPA 2005 Geothermal Steam Act Implementation Fund	Congress	By request	neither

## CONCLUSION

---

- The Geothermal Steam Act Implementation Fund clearly demonstrated the value of set-aside funds: clearing of leasing backlogs, increase of staffing and resources for leasing and permitting,
- BLM's ROW model for cost recover fees for services provided by the agency, if implemented by the USFS or BLM for geothermal, may facilitate timely processing of permitting and environmental reviews.
- Set aside funds are currently available to BLM's oil and gas and recreational programs. Both industry and federal agency participants in the Geothermal Regulatory Roadmap workshop recommended that a geothermal set-aside could be established for the development of project coordination offices and processing of geothermal permits and use authorizations. This would provide funding certainty and a reduced permitting risk for developers.
- BLM's budget request for FY 13 is for \$7 million (350% increase) from previous 3 years and is about equal to geothermal funding levels while Geothermal Steam Act Implementation fund was authorized. BLM is currently operating on a continuing resolution with a \$2 million budget.



# Supplementary Slides