



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 1, 2014

S. 363 **Geothermal Production Expansion Act of 2013**

*As ordered reported by the House Committee on Natural Resources
on September 18, 2014*

S. 363 would authorize the Bureau of Land Management (BLM) to award leases, on a noncompetitive basis, for the development of geothermal resources on certain federal lands. Based on information provided by BLM, the Department of Energy (DOE), and individuals working in the geothermal industry, CBO estimates that implementing the legislation would have no significant effect on the federal budget over the 2015-2024 period. Enacting S. 363 could affect direct spending; therefore, pay-as-you-go procedures apply. However, CBO estimates that the net effect on direct spending would not be significant in any year. Enacting the legislation would not affect revenues.

S. 363 would authorize BLM to offer noncompetitive leases of up to 640 acres for lands adjacent to known geothermal discoveries. Under the act, a company that identified a geothermal resource that extended onto federal land adjacent to company-controlled lands could acquire the lease for a specified amount (bonus bid) determined by BLM to be equivalent to the fair market value rather than an amount determined through a competitive auction. In addition to paying fair market value for the parcel, the act would require any company awarded such a noncompetitive lease to make annual rental payments equal to those required for lands that are leased competitively. Finally, a company could receive only one noncompetitive lease for each known geothermal discovery.

CBO estimates that awarding noncompetitive leases for lands adjacent to known geothermal discoveries could reduce bonus bids on those parcels. However, because the legislation would require the companies that are awarded those leases to pay fair market value for them, we estimate that implementing the act would not reduce the amount of receipts deposited in the U.S. Treasury by more than \$500,000 in any year. (Under current law, 75 percent of all receipts from bonus bids, rents, and royalties related to the development of geothermal resources on federal lands is paid to the states and counties in which those lands are located. The remaining 25 percent is deposited in the U.S. Treasury.)

In addition, based on information provided by DOE and individuals working in the geothermal industry, CBO expects that implementing S. 363 could increase receipts from royalties paid on geothermal energy production by reducing the amount of time it takes to develop a known geothermal resource and by reducing the likelihood that lands containing geothermal resources would be acquired for speculative purposes. CBO estimates that any increase in the amount of royalty receipts that would be deposited in the U.S. Treasury would not exceed \$500,000 in any year. Those amounts would offset any reduction in bonus bids from issuing noncompetitive leases under the act. On balance, CBO estimates that implementing S. 363 would have no significant net effect on direct spending through fiscal year 2024.

S. 363 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On June 27, 2013, CBO transmitted a cost estimate for S. 363, the Geothermal Production Expansion Act of 2013, as ordered reported by the Senate Committee on Energy and Natural Resources on May 16, 2013. The two version of the act are similar and the estimated costs are the same.

The CBO staff contact for this estimate is Jeff LaFave. This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.