



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 18, 2017

H.R. 4568 **Enhancing Geothermal Production on Federal Lands Act**

*As ordered reported by the House Committee on Natural Resources
on December 13, 2017*

H.R. 4568 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. The bill also would require BLM to identify areas that are a priority for such development and would exempt certain geothermal projects from complying with provisions of the National Environmental Policy Act (NEPA).

Using information provided by BLM and assuming the availability of appropriated funds, CBO estimates that implementing H.R. 4568 would cost less than \$500,000 a year through 2022. Enacting H.R. 4568 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 H.R. 4568 would not affect revenues.

CBO estimates that enacting H.R. 4568 would not significantly affect net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 4568 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Noncompetitive Leasing of Geothermal Resources

H.R. 4568 would authorize BLM to offer noncompetitive leases of up to 640 acres for lands adjacent to known geothermal discoveries. Under the bill, 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 (called a bonus bid) that is estimated by BLM to be equivalent to the fair market value rather than an amount determined through a competitive auction. In addition to paying the estimated fair market value for the parcel, the bill 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 expects that awarding noncompetitive leases for lands adjacent to known geothermal discoveries could reduce the value of bonus bids on those parcels that would otherwise have been determined by auction. However, because the bill would require the companies that are awarded those leases to pay the estimated fair market value for them, we estimate that implementing H.R. 4568 would not reduce the amount of receipts deposited in the 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 funds are deposited in the Treasury and are recorded as offsets to direct spending.)

In addition, CBO expects that implementing H.R. 4568 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 also 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 Treasury would not exceed \$500,000 in any year. Those amounts would offset any reduction in bonus bids from issuing noncompetitive leases under the bill. On balance, CBO estimates that allowing firms to acquire noncompetitive leases for lands adjacent to known geothermal discoveries would have no significant net effect on direct spending over the 2018-2027 period.

H.R. 4568 also would allow firms with federal oil and gas leases to acquire the rights, on a noncompetitive basis, to produce geothermal resources from those leases. Using information provided by BLM, CBO expects that very few geothermal leases would be acquired under this provision. Thus, enacting this provision would have no significant effect on the federal budget.

Priority Areas for the Development of Geothermal Resources

H.R. 4568 would require BLM to designate priority areas on federal lands for the development of geothermal resources. After designating those areas, the agency would be required to prepare a supplement to any existing programmatic environmental impact statement (PEIS) unless the Secretary of the Interior determines that the designated areas were sufficiently analyzed by existing PEIS. Using information provided by BLM and assuming the availability of appropriated funds, CBO estimates that identifying the priority areas and completing the necessary supplement to the PEIS could take up to five years and would cost less than \$500,000 a year.

Exploration Test Projects for Geothermal Resources

Under H.R. 4568, certain geothermal exploration projects that meet specified requirements related to the duration of the activities, the amount of land disturbed, and

the restoration of the project site would not be required to obtain an environmental impact review under NEPA. The Secretary would have 10 days to review proposed projects to determine whether they meet the requirements necessary to obtain a NEPA exemption. Using information provided by BLM, CBO estimates that implementing this provision would have a negligible effect on the agency's workload.

On September 18, 2017, CBO transmitted a cost estimate for H.R. 825, the Public Land Renewable Energy Development Act of 2017, as ordered reported by the House Committee on Natural Resources on July 26, 2017. H.R. 825 would require BLM to identify priority areas for the development of geothermal and wind resources whereas H.R. 4568 would require the agency to identify priority areas only for the development of geothermal resources. Those differences are reflected in the CBO cost estimates.

The CBO staff contact for this estimate is Jeff LaFave. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.