

**Testimony of
Neil Kornze
Director
Bureau of Land Management
Department of the Interior**

**Senate Energy & Natural Resources Committee
S. 279, Public Land Renewable Energy Development Act of 2013
July 29, 2014**

Thank you for the opportunity to present the views of the Department of the Interior on S. 279, the Public Land Renewable Energy Development Act of 2013. The legislation seeks to expedite the development of geothermal, wind, and solar energy projects on Federal lands managed by the Departments of the Interior, Agriculture, and Defense. This statement addresses the provisions relevant to the Department of the Interior (Department).

The Department and the Bureau of Land Management (BLM) are committed to responsibly mobilizing the tremendous renewable energy resources available on public lands, and share the Committee's interest in identifying efficiencies in the development of those resources, consistent with environmental protection and public involvement in agency decision-making. The Department supports the goals of S. 279, and would like to work with the sponsor and the Committee on our shared objective of furthering geothermal, wind, and solar energy development while continuing to protect our nation's public land and water resources.

Renewable Energy Development on Public Lands

As part of the Administration's "All-of-the-Above" energy strategy, the Department has made the development of the New Energy Frontier on America's public lands one of its top priorities. Due in large part to a permitting process for renewable energy projects emphasizing early consultation with partners and stakeholders, in 2012, the BLM successfully accomplished the Energy Policy Act of 2005 (EPA) goal of authorizing over 10,000 megawatts (MWs) of renewable energy on public lands – three years ahead of schedule. In support of the President's Climate Action Plan to ensure America's continued leadership in clean energy, the Department is now working to reach 20,000 MWs of permitted renewable energy capacity on public lands by 2020. The BLM is already making great strides toward achieving that goal, which would provide enough clean energy to power more than 6 million homes.

In 2009, there were no commercial solar energy projects on or under development on public lands. Since that time, the BLM has approved 52 renewable energy projects; including 29 utility-scale solar facilities, 11 wind farms, and 12 geothermal plants, each with associated transmission corridors and infrastructure to connect with established power grids. If fully built, these projects will provide more than 14,000 MWs of power, which will and support approximately 21,000 construction and operations jobs.

The BLM recently announced it will prioritize 13 renewable energy projects (11 solar and two wind) that it will focus on in 2014 and 2015. The 13 projects represent approximately 3,030 MWs in potential clean energy. The recent successful auction of solar energy leases in the Dry

Lake Solar Energy Zone in Nevada is also likely to result in additional projects and increased generation.

Renewable energy projects authorized by the BLM constitute a major contribution to not only the nation's energy grid, but also the national economy. Projects on public lands have already garnered an estimated \$8.6 billion in total capital investments, and the potential for approved projects pending construction is estimated at \$28 billion. Through efficient and environmentally-responsible permitting, the BLM is helping to bring tens of billions of dollars in investments to the United States.

The BLM intends to further these contributions by moving from an application-by-application approach for solar energy projects to a competitive leasing process in designated development areas called Solar Energy Zones (SEZs). In October 2012, the Department finalized a Solar Energy Programmatic Environmental Impact Statement, more commonly called the Western Solar Plan, which identified 17 SEZs and established a blueprint for utility-scale solar energy permitting with access to existing or planned transmission infrastructure. The Western Solar Plan also provides the foundation for the BLM's current rulemaking process to implement competitive solar and wind energy leasing within designated areas.

In authorizing existing projects, reviewing proposed projects, and developing a competitive leasing rule, the BLM has focused on managing renewable energy development in an accelerated but responsible manner which ensures the protection of signature landscapes, wildlife habitats, and cultural resources. This "smart from the start" approach is consistent with the Administration's goal of authorizing safe and sustainable geothermal, wind, and solar energy projects on public lands. The BLM achieves these collaborative goals through close working relationships with local communities, state regulators, private industry, and other Federal agencies.

Under land use plans and environmental analyses informed by public involvement and early consultation with these partners, the BLM is leading the nation toward the New Energy Frontier through active geothermal, wind, and solar energy programs.

S. 279, Public Land Renewable Energy Development Act of 2013

S. 279 aims to increase renewable energy development on public lands, primarily through the reestablishment of a special account for processing geothermal energy authorizations and the creation of a competitive wind and solar leasing pilot program. The bill would also establish a royalty system for wind and solar energy authorizations, create a conservation fund to address some of the impacts of wind and solar energy development on public lands, and require the Secretary of the Interior and of Agriculture to determine the feasibility of carrying out a conservation banking program. The bill's provisions are directed toward all public and National Forest System lands that have not been excluded from solar or wind energy development by a land use plan, Resource Management Plan, or Federal law.

The bill would also require the Secretary of Agriculture and of Defense to separately analyze potential renewable energy development impacts and opportunities on the respective lands they manage. The Department of the Interior and Department of Defense would need to coordinate

on the review of public lands withdrawn for military purposes to ensure that any development would be congruent with existing authorities, current military needs, as well as long-term public interests.

Since this bill and previous versions were introduced, the Department has utilized administrative authorities to implement the Western Solar Plan and expand solar, wind, and geothermal development opportunities on public lands. The Department supports the goals of S. 279, and we are excited to work with the Committee and the sponsor to further harness the vast renewable resources on public lands while continuing to ensure a fair return to U.S. taxpayers.

S. 279 would amend the Energy Policy Act of 2005 to reestablish the geothermal special account, which expired in 2010, through Fiscal Year 2020 to provide funds for the processing of geothermal leases and use authorizations. Under current law, 50 percent of geothermal revenues are directed to the state in which the project is located, with the remaining funds divided evenly between the county in which the project is located and the Treasury. Under S. 279, the states would continue to receive 50 percent of geothermal revenues; while the BLM would receive an amount subject to appropriation and without fiscal year limitation from the total directed to the Treasury. The BLM estimates the proposed special account would generate \$4 million per year in funding for the program, which is currently supported by \$7 million in appropriated funds. The Department has generally proposed funding geothermal program operations through a combination of cost recovery fees and the regular appropriations process. We look forward to working with this Committee and the Interior appropriations committees in evaluating funding options for the geothermal leasing program.

Section 203 of S. 279 would establish a pilot program for the competitive leasing of wind and solar energy sites on Federal lands. The bill requires the pilot program be established within 180 days of enactment and expanded to all covered lands within two years of enactment following a joint determination by the Secretaries of the Interior and of Agriculture. Under the proposed pilot program, the Secretary would select two solar and wind project sites within 90 days of the program's establishment to be made available for development through competitive leasing. The section also outlines various competitive leasing requirements, including the payment of royalties, fees, and bonuses; lease terms and readjustments; and the issuance of regulations for reclamation and restoration bonding requirements.

The Department shares goals similar to those of Section 203, and through its existing authorities, is currently developing a competitive leasing program for solar and wind energy projects on public lands. In 2012, the BLM completed its Western Solar Plan which designated 17 Solar Energy Zones (SEZs) and included the decision to proceed with competitive leasing for solar projects in those areas. The BLM recently completed a successful competitive leasing auction in the Dry Lake SEZ in Nevada, which resulted in \$5.8 million in high bids. The BLM plans to build on the success of the Dry Lake auction, and anticipates publishing a proposed competitive leasing rule by the end of 2014. This rule will give additional detail to the competitive leasing program for the solar and wind energy programs. The BLM's current rulemaking process reflects the goals of S. 279 in implementing a competitive leasing process, and the agency would like to work with the sponsor and the Committee on improvements to the proposed language.

The Department also shares the legislation's goal of capturing the fair market value of leased projects as part of its commitment to ensure an appropriate return to U.S. taxpayers. While the BLM currently ensures a fair return to the public from solar and wind energy authorizations through an annual acreage rent and MW capacity fee, the agency is also supportive of efforts which could improve and simplify how that return is captured. The Department is glad to work with the sponsor and the Committee on exploring alternative ways to secure an appropriate return to taxpayers from solar and wind projects' use of public lands.

The Department is concerned, however, that the royalty system proposed under S. 279 would not provide a fair return from projects during periods without electric generation. We recommend the Committee augment the legislation to include a revenue collection system covering all phases of project development and operation.

Section 206 of S. 279 would require the development of a comprehensive inspection, collection, fiscal, and production accounting and auditing system by the BLM and Department's Office of Natural Resources Revenue. Replacing the existing annual acreage and MW capacity fee with the system necessary to accurately determine royalties would require the Department to collect, track, and audit significantly different types of information from what is currently collected. The Department would need additional time and resources to develop a robust royalty auditing system capable of ensuring a fair return. The Department looks forward to working with Committee to determine the best way to meet the revenue capturing objectives of the legislation.

Section 204 of S. 279 provides for the allocation of royalty and bonus revenues from solar and wind energy leases to states (25 percent), counties (25 percent), a Renewable Energy Resource Conservation Fund (35 percent), and the Treasury (15 percent). Under the bill, funds deposited in the Treasury are to be directed to the BLM or other Federal or state agencies to assist in the processing of renewable energy permits for 15 years, after which the 15 percent of total revenue from solar and wind authorizations would be redirected to the Conservation Fund. Currently all such revenues from solar and wind energy authorizations on public lands go to the Treasury.

Finally, section 210 of the bill would revoke the rental fee exemptions provided under the Rural Electrification Act (REA) for solar and wind projects with a capacity of 20 MWs or more. While the BLM has not yet approved any eligible projects under the REA, future projects may qualify for rental exemptions under existing authorities. The BLM supports the removal of the rental fee exemption as provided under S. 279.

Conclusion

Facilitating the responsible development of renewable energy resources on public lands remains a cornerstone of the Administration's broad energy strategy. The Department and BLM both support efforts to safely advance geothermal exploration and renewable energy opportunities on public lands, and we look forward to working with the Committee and sponsors of the legislation on these shared goals.