



Governor Mike Dunleavy
STATE OF ALASKA

February 14, 2023

The Honorable Gary Stevens
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the state's geothermal resources.

This bill removes obstacles for exploration and development of Alaska's geothermal resources. First, the bill updates the definition of "geothermal resources." Currently, the term "geothermal resources" is defined with reference to energy hotter than 120 degrees Celsius and excludes subterranean heat sources that might be commercially useful at lower temperatures. The arbitrarily high temperature threshold in current law ignores technological advances that make lower-temperature geothermal energy commercially viable. It also ignores growing non-commercial uses of heat energy, such as heat pumps relying on shallow subsurface pipes to heat or cool residential structures.

Current law provides companies only two to three years to prove a commercial discovery, which then allows the company to apply for a more long-term lease. This bill increases the time available for exploration to five years to better account for the time needed to complete an exploration program. The bill changes the current permit system to an exploration license system similar to oil and gas exploration. The proposed five-year exploration license term in the bill allows explorers more time to conduct background research, acquire any related permits, and perform the field work necessary to locate a resource and produce the data necessary to convert a license to a lease.

This bill also nearly doubles the acreage limit for geothermal projects from 51,200 acres to 100,000 acres. This change is particularly beneficial because geothermal resources tend to spread over larger acreages. The proposed acreage increase in the bill may attract greater interest in geothermal resources because developers will have a greater opportunity to explore the correct amount of acreage.

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The bill would allow the Alaska Oil and Gas Conservation Commission (AOGCC) the option to pursue state permitting primacy over Class V geothermal wells from the U.S. Environmental Protection Agency. Primacy may allow for more expeditious responses to local concerns and projects. The bill also clarifies AOGCC's authority over geothermal resources and implements penalty provisions similar to AOGCC's existing penalty provisions for oil and gas.

With the enactment of this measure, our state will continue to responsibly manage its natural resources in a manner that provides maximum benefits to the citizens through development of needed energy sources.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy", with a stylized flourish extending from the end.

Mike Dunleavy
Governor

Enclosure