

GAO Highlights

Highlights of [GAO-14-751T](#), a testimony before the Subcommittee on Energy and Mineral Resources, Committee on Natural Resources, House of Representatives

Why GAO Did This Study

The federal government and the private sector use helium, a key nonrenewable resource, for a variety of purposes, including research and manufacturing. As of September 30, 2013, BLM was storing about 9 billion cubic feet of federally owned crude helium and almost 2 billion cubic feet of privately owned crude helium in an underground federal reserve. Helium produced from the reserve represents 40 percent of the total U.S. production.

The Helium Stewardship Act of 2013 is intended to complete the privatization of the federal helium reserve in a competitive market fashion that ensures stability in the helium markets, while protecting the interests of American taxpayers. It establishes a phased process through fiscal year 2021 to dispose of the remaining helium. Phase A is a transition period of helium sales, and Phase B consists of auctions in addition to sales.

This testimony describes (1) BLM's initial implementation of the act and (2) challenges, if any, BLM faces in implementing and incentivizing tolling—when a helium refiner processes or refines another party's crude helium at an agreed upon price. GAO examined helium sales documents and BLM's proposed plan for implementing the act; visited BLM's Amarillo Field Office near the reserve to review documents and observe the helium facilities; interviewed BLM and other Interior officials; and interviewed representatives from four refiners and four nonrefiners that participated in recent sales.

GAO is not making any recommendations in this testimony.

View [GAO-14-751T](#). For more information, contact Anne-Marie Fennell at (202) 512-3841 or fennella@gao.gov.

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HELIUM PROGRAM

BLM's Implementation of the Helium Stewardship Act of 2013

What GAO Found

The Department of the Interior's (Interior) Bureau of Land Management (BLM) has taken a number of actions to begin implementing the Helium Stewardship Act of 2013, including (1) estimating volumes of helium that can be produced from the federal helium reserve each year, (2) preparing for and conducting helium sales under the act's Phase A transition period, and (3) initiating planning for the act's Phase B, which introduces a competitive auction process for crude helium along with continued sales. First, BLM estimated the amount of crude helium that can be produced from the reserve each year based on a geologic model. Second, under Phase A, BLM determined sale volumes, set the sale price and required participants to disclose certain information, among other things. Third, BLM has begun planning for the required Phase B auction and sale of helium for fiscal year 2015 and a one-time sale of a portion of the helium that will be made available in fiscal year 2016. BLM plans to hold this auction and these sales in July 2014 to comply with an August 1, 2014, statutory deadline. BLM officials told us the agency plans to offer for auction or sale most of the helium estimated to be produced in fiscal year 2015 and use the remainder to meet federal users' needs and to deliver privately owned helium to refiners for processing. However, refiners disagree with the agency's approach, stating the act requires BLM to offer for auction or sale the maximum amount that it can produce from the reserve each year. BLM officials said they are taking this approach to help ensure that the agency can deliver the privately owned helium that remains in storage before the end of fiscal year 2021.

BLM faces challenges in implementing the act's tolling provision and identifying incentives. Under the provision, refiners, as a condition of sale or auction in Phases A and B, are to make excess refining capacity available at commercially reasonable rates to certain entities. In implementing this provision, however, BLM faces challenges in knowing whether refiners (1) have excess refining capacity available and (2) if so, are offering tolling services to nonrefiners at commercially reasonable rates. For example, although BLM asked refiners to report excess refining capacity as a condition of the Phase A sales, BLM did not define the term "excess refining capacity" because, according to BLM officials, they were still in the process of interpreting the act. According to refiners GAO interviewed, they used different methods to calculate the excess refining capacity they reported to BLM. In preparation for Phase B and the fiscal year 2015 auction and sale, BLM has proposed a definition of excess refining capacity, although some nonrefiners noted that it leaves room for interpretation. Regarding rates, BLM has not defined or identified criteria for determining what is a commercially reasonable rate. BLM officials said they prefer to take a "hands off" approach, allowing the companies involved and the marketplace to determine what is commercially reasonable, but it is unclear how BLM would implement the tolling provision without a definition or criteria for what is commercially reasonable. Moreover, BLM officials told GAO that they are considering various ways to incentivize tolling by refiners, but the agency's ability to create incentives is limited by the terms of existing contracts governing helium delivery that remain in effect through fiscal year 2015. GAO plans to conduct additional work after the July 2014 auction and sales on BLM's implementation of the act's tolling provision. Therefore, GAO is not making any recommendations at this time.