

# GAO Highlights

Highlights of [GAO-15-394](#), a report to congressional requesters

## Why GAO Did This Study

Helium is a key nonrenewable resource with a variety of uses. The federal government maintains an underground reservoir near Amarillo, Texas, for the storage of both federally owned helium and helium owned by private companies. The Helium Stewardship Act of 2013 establishes a phased process for the privatization of the federal helium reserve in a competitive market fashion. As part of that process, BLM conducted an auction and two sales of federal helium in the summer of 2014.

GAO was asked to assess BLM's implementation of the act. This report examines (1) the outcomes of BLM's summer 2014 helium auction and sales, (2) BLM's administration of the act's tolling provision (tolling refers to a helium refiner processing or refining another party's crude helium for an agreed upon price), and (3) upcoming decisions BLM faces as it continues implementing the act. GAO reviewed the 2013 act, BLM's auction and sales results, and tolling agreement reports; interviewed BLM and other Interior officials and representatives of 12 of the 13 refiners and nonrefiners that registered to participate in the auction.

## What GAO Recommends

GAO recommends that BLM (1) issue a rule to, among other things, collect information about refiners' attempts to negotiate tolling agreements and (2) assess and select an auction method that would maximize revenue. Interior disagreed with the first recommendation because it believes existing mechanisms provide needed information, and agreed with the second. GAO continues to believe that its recommendation is valid.

View [GAO-15-394](#). For more information, contact Anne-Marie Fennell at (202) 512-3841 or [fennella@gao.gov](mailto:fennella@gao.gov).

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## BUREAU OF LAND MANAGEMENT

### More Information Needed to Implement the Helium Stewardship Act of 2013

## What GAO Found

In the summer of 2014, refiners purchased all the helium offered in the Department of the Interior's Bureau of Land Management's (BLM) first-ever competitive helium auction at higher than expected prices. Two refiners purchased all 93 million cubic feet of helium that was auctioned at an average price of \$161 per thousand cubic feet—significantly above the prices offered by most other bidders. BLM, refiners, and nonrefiners identified possible reasons for the auction's outcome, including that refiners had an advantage at the auction because their costs for refining crude helium were lower than those of nonrefiners. After the auction, BLM sold more than 1 billion cubic feet of helium in two sales that were restricted to refiners. Since BLM used the average auction price to help set the sales price, the sales price also was higher than expected.

BLM has taken steps to help improve reporting by refiners, but the agency does not have full assurance that refiners are satisfying the tolling provision. The tolling provision requires refiners, as a condition of sale or auction, to make excess refining capacity available at commercially reasonable rates to certain nonrefiners. BLM officials said that one way refiners can satisfy the tolling provision is to attempt to negotiate tolling agreements. The act does not require refiners to report information to BLM about their attempts to negotiate agreements that do not result in signed agreements, so the reporting of this information is voluntary. BLM requested that refiners report this information, but the refiners' responses were inconsistent. For example, some refiners reported that they had attempted to negotiate agreements but did not report details about volume or rates offered. Officials from Interior's Office of the Solicitor said BLM may need to issue a rule to require refiners to report about their attempts to negotiate tolling agreements. However, BLM officials said they do not intend to issue such a rule because it is a time-consuming process that might delay future auctions and sales. Nevertheless, without information about refiners' attempts to negotiate agreements, BLM cannot determine the extent to which refiners with excess capacity are satisfying the tolling provision.

BLM faces a number of decisions about its continued implementation of the act, including decisions related to the auction of a portion of the helium BLM will make available for delivery during fiscal year 2016. Specifically, BLM officials said they plan to contract with a third party to conduct a survey of helium transactions that will form the basis for the fiscal year 2016 minimum auction price, but they have not determined the scope of the survey. Also, BLM officials said they are considering increasing the amount of helium the agency will auction for fiscal year 2016 above the amount set in the act because they think it will increase competition at the auction. In addition, BLM faces a decision in selecting a method for conducting the fiscal year 2016 auction. The act requires BLM to use an auction method that maximizes revenue. BLM officials said they considered multiple methods before selecting the live auction method used for the agency's first auction, but they did not assess the methods based on maximizing revenue. As of February 2015, BLM officials had not evaluated various methods, such as sealed bids or simultaneously auctioning multiple lots. Without assessing auction method options based on revenue generation, BLM does not have assurance that a live auction will maximize revenue as required.