

Legal Framework for utilization of Geothermal energy in Iceland

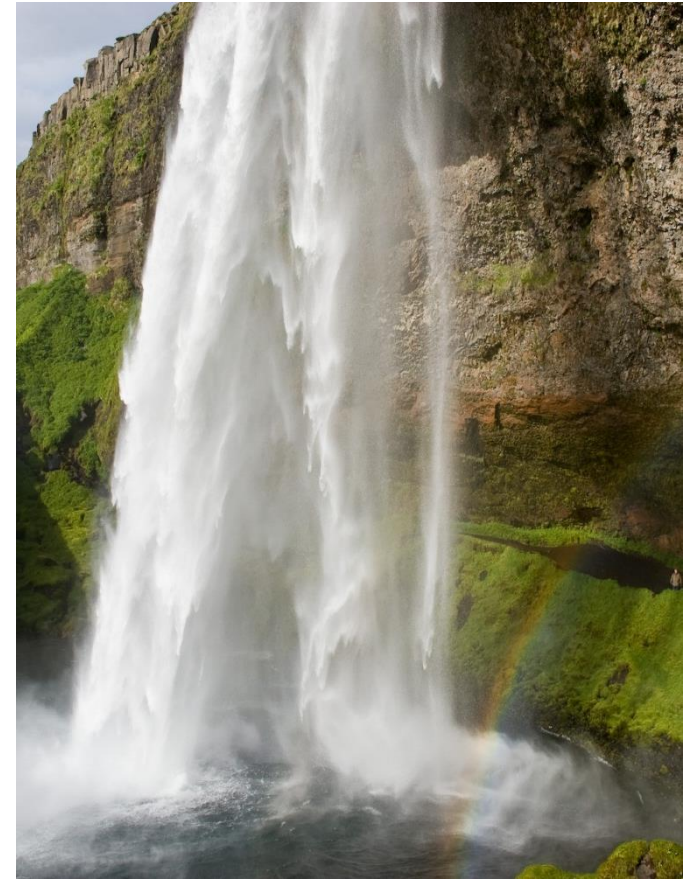


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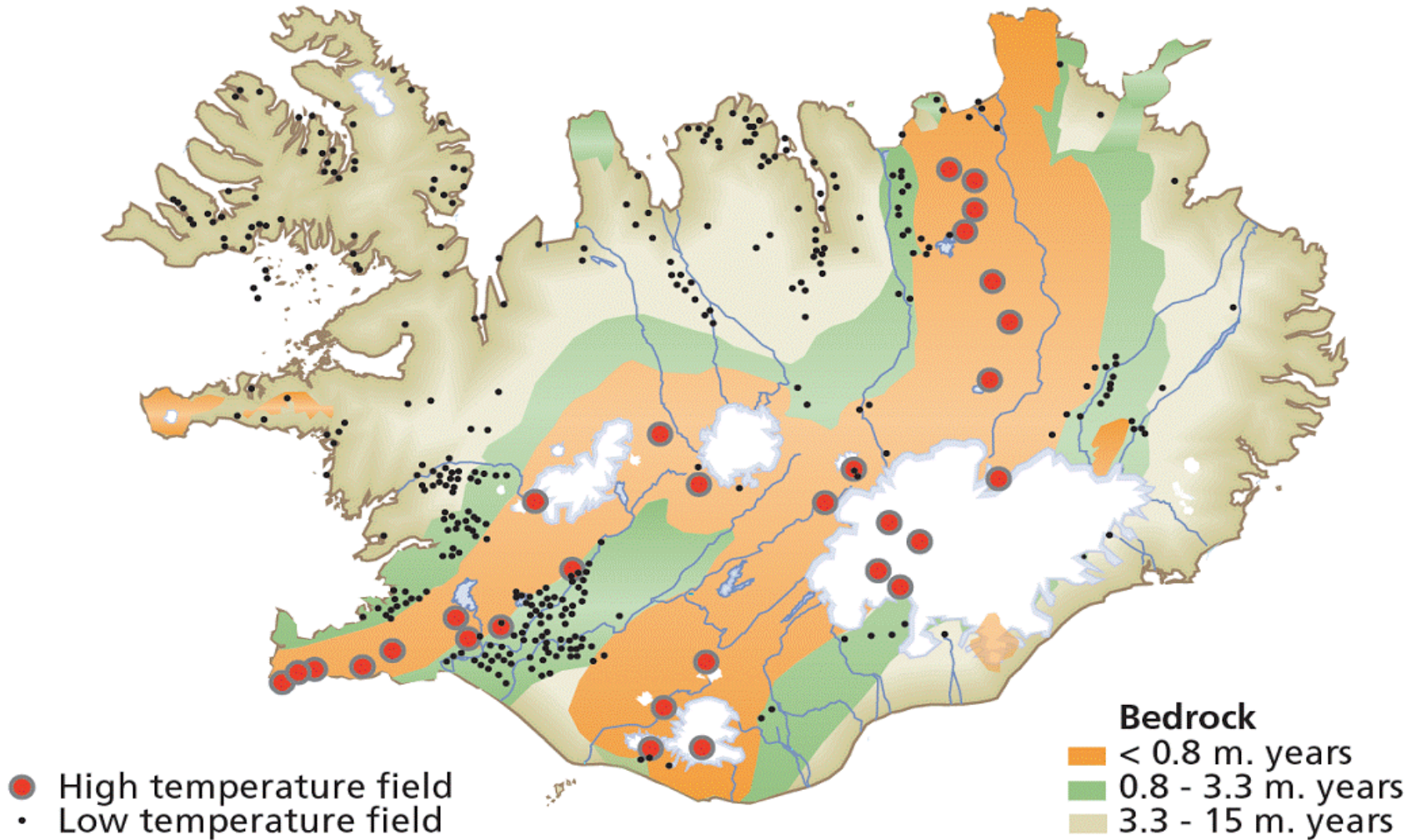
Role of Orkustofnun

The National Energy Authority

- Government Agency under the Ministry of Industries and Innovation
- Manages public administration of the energy sector and provides the government with specialized services and advise
- Accumulates and maintains databases on energy utilisation and forecasts for future trends
- Issues permits for exploration and utilisation of energy and earth based resources
- Issues power plant licences
- Regulates transmission and distribution companies
- Is the official monitoring body for issued licenses
- Hosts the UNU University Geothermal Training Program

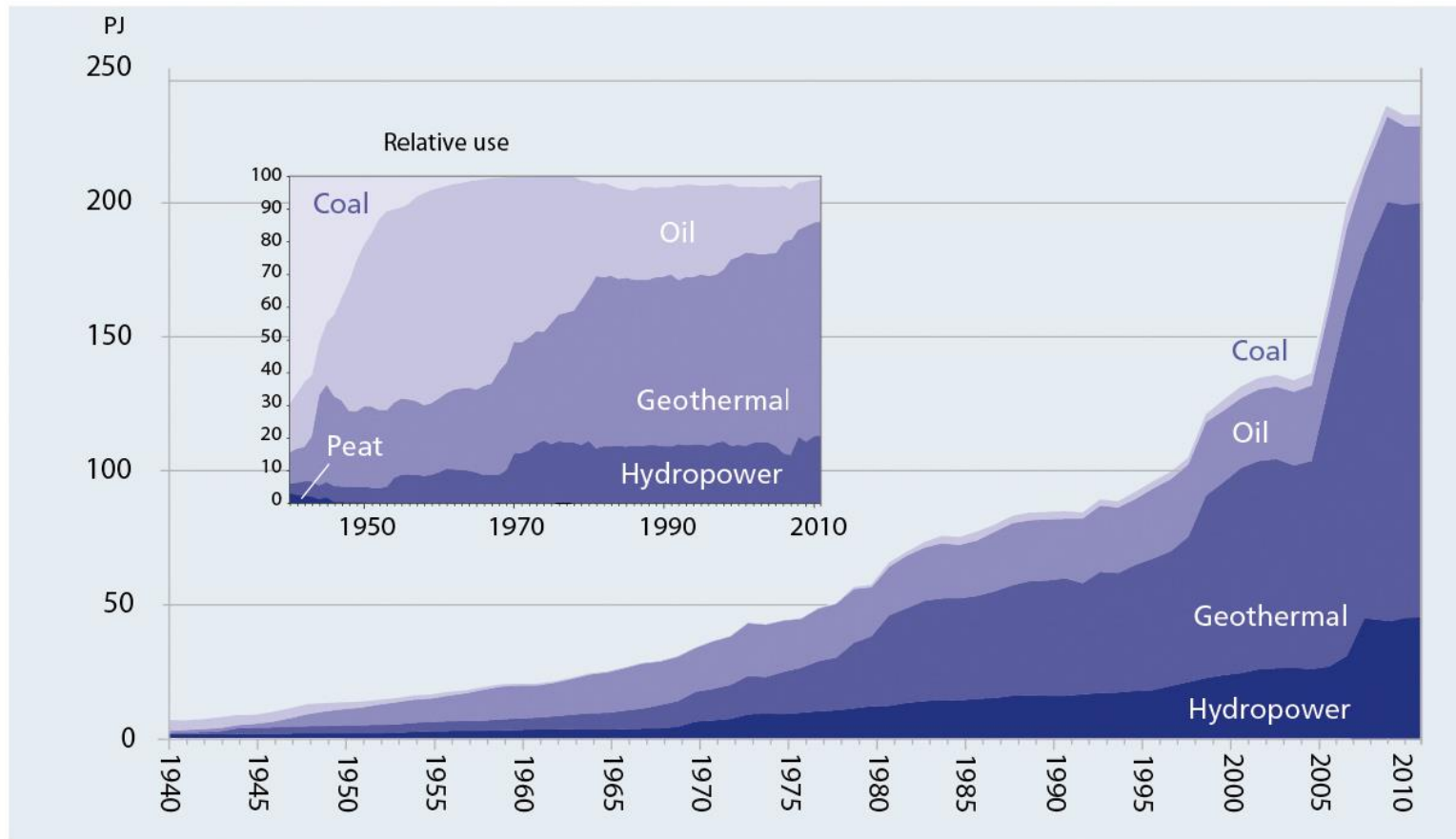


Geothermal fields

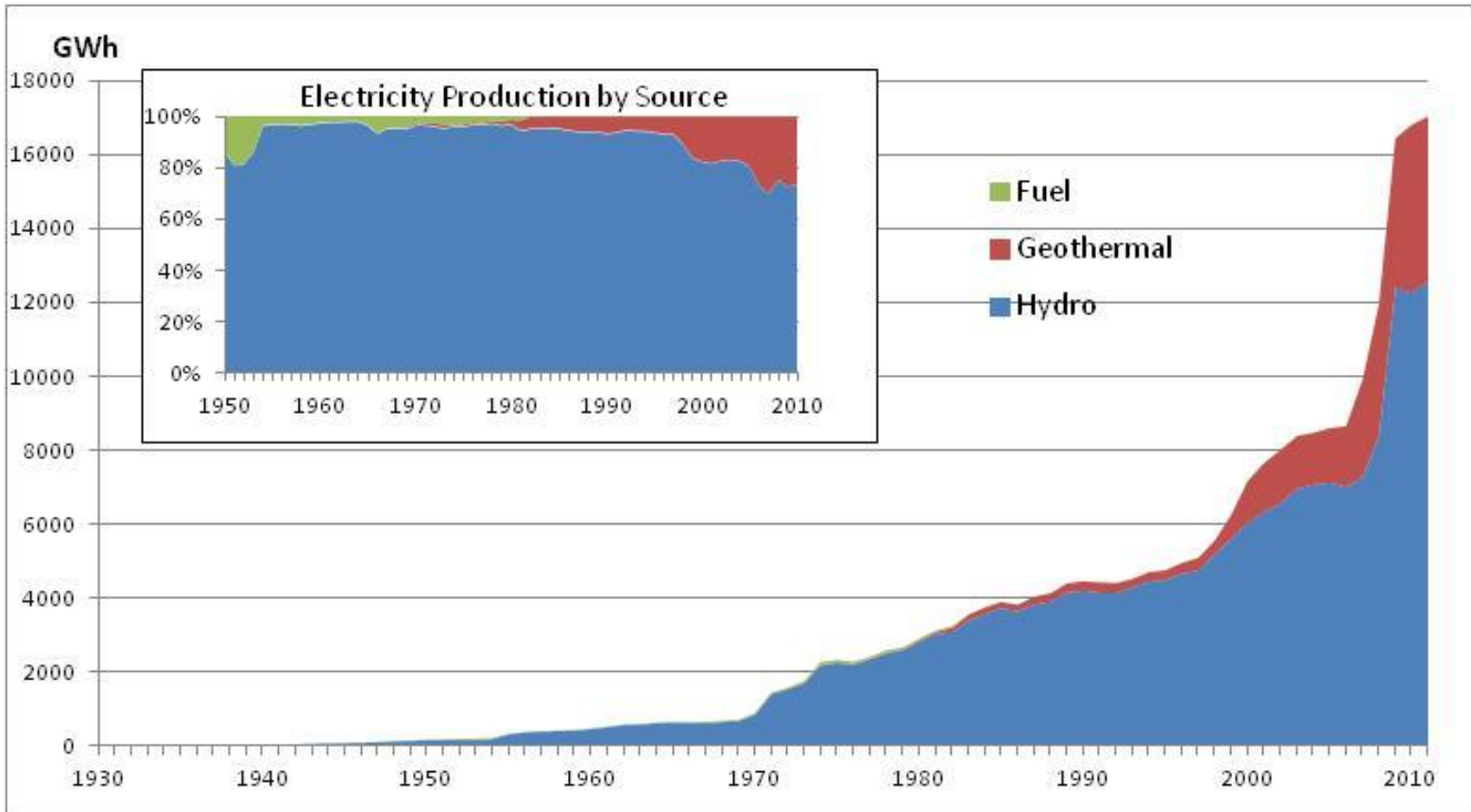




Icelandic Primary Energy Use 1940-2011



Electricity production 1930-2010



Icelandic Electricity Production in OECD Perspective

- Electricity production in Iceland in 2010 was 55 MWh/a per capita
- Average use in OECD per capita in 2010 was 8 MWh/a
- Electricity production in Iceland is therefore sufficient for 7 million average OECD citizens



The Master Plan

- In 1997 the Government decides to make a “Master Plan for Protection and Development of Energy Resources
- An overview of various potential energy projects, both in hydro and geothermal
- Evaluation and ranking of potential projects considering all aspects
- Conclusions available to public
- The Master Plan is a permanent planning tool
- Re-evaluated by Parliament every 4 years
- Is a binding plan for Municipalities



Act on the Survey and Utilisation of ground resources

- Act no. 57/1998, entered into force on June 18th 1998
- Main purpose was to determine the ownership of resources on land that was not privately owned
- Covers resources in the ground, at the bottom of rivers and lakes and at the bottom of the sea within netting limits
- Also in order to monitor the exploitation of these natural resources
- Licenses for prospecting and exploiting hydro and geothermal energy based on the Act
- A prospect license holder has the exclusive right to prospect a natural resource in one place
- If another person acquires a utilization license in the same area, the prospect license holder can require payment for his research if it is of value for the exploitation
- Natural resources in state ownership can no longer be sold, only leased, for up to 65 years

Act on the Survey and Utilisation of ground resources - Contd.

- Orkustofnun can take initiative or permit others to prospect for resources anywhere, regardless of whether the land owner has himself begun such surveying
- A landowner does not have priority to a utilization license unless he has been granted a prospection license previously
- Agreement must be made with a landowner for utilization or expropriation requested
- If a license holder does not fulfill conditions of a license it may be revoked by Orkustofnun upon a written warning
- Decisions on license granting can be appealed to the Administrative appealing committee for environmental and natural resources matters

The Electricity Act

- Act, no. 65/2003, entered into force on April 7th 2003
- Implementing the European Union Directive Concerning Common Rules for the Internal Market in Electricity
- The Energy Authority grants Power Plant Licenses based on the Act
- If a license holder does not fulfill conditions of a license it may be revoked by Orkustofnun upon a written warning
- Decisions on license granting can be appealed to the Administrative appealing committee for environmental and natural resources matters
- Main amendments in order to implement European directives concerning the unbundling of vertically integrated power companies

- Utilization of geothermal in Iceland has expanded rapidly and will undoubtedly continue to expand
- Iceland's long term objective is to ensure long term sustainable utilization of the resources
- Geothermal energy is very important for Iceland's energy matters, economy, welfare and independence



Thank you!

