

**Testimony by Nicholas Haines**  
**Head of Helium Source Development, Linde Global Helium**  
**Before the House Committee on Natural Resources**  
**Hearing on HR 527; *the Responsible Helium Administration and***  
***Stewardship Act of 2013***

February 14, 2013

Mr. Chairman and Ranking Member Markey – I appreciate the opportunity to testify today. I am Nicholas Haines, Head of Helium Source Development, with Linde Global Helium.

Linde Global Helium is a division of Linde North America, Inc. We're headquartered in New Jersey and we have more than 15,000 employees in the United States. Linde is a leading industrial gas and engineering company. We operate in more than 100 countries, with more than 61,000 employees globally.

We have an extensive investment in the helium business that is fully integrated from production to distribution and retail sales. Linde owns and operates a helium refinery in Otis, Kansas, where we produced the first commercially available liquid helium in 1964. We also own and operate a number of other helium plants around the world and have invested hundreds of millions of dollars in refining capacity, regional transfill stations, and cryogenic ISO containers for distributing helium around the world to its points of use. Linde supplies helium to a wide variety of customers, including producers of semiconductors, MRI machines and other high-tech products.

Firstly, I would like to compliment all of you for recognizing the urgency of passing legislation this year to continue the BLM helium program. You've made this a priority, and we appreciate that and we agree with you on some areas of your proposed Bill. Second, we agree on the need to create an ongoing funding mechanism that will allow the BLM to both continue operations and invest in technology upgrades for the Cliffside Reservoir. Without this funding, the reservoir will not continue to operate. Third, we agree that we need to improve the system for determining market prices and provide improved returns for taxpayers, whilst minimizing market disruption. These are a good foundation for us to build on.

Now to address the areas of our disagreements. Our basic disagreement is over your proposal to auction 100% of the BLM's helium. We believe this will disrupt the marketplace and create tremendous uncertainty with regard to continued helium supplies. I would like to note at the outset that, as a business, we don't benefit from a higher or lower price of helium. We do lose, however, if the market suffers from dramatic price swings or supply disruptions. So do our customers, and so do consumers. The price uncertainty arising from periodic auctions makes it more complex for customers to predict their costs and manage their businesses.

Let me speak about certainty for a minute. This is a phrase you've heard not just from us. You've heard it from large end-users. You've heard it from small customers. Refining and delivering helium is a high-fixed-cost business. Helium has to be stored and distributed cost effectively in bulk form at -452 degrees Fahrenheit, and that's a real challenge.

To be able to maintain this investment, we need to have long-term contracts with our suppliers and customers. If we are unable to obtain long term supply agreements, we may be forced to reduce investments and costs, as well as contracts with our customers. Our customers in turn need the reliability of long-term contracts as well. I think you've heard this from them directly. When the nation's largest supplier of crude helium auctions 100% of its supply, we can't be sure on a periodic basis if we'll have helium to supply to our customers. Long-term contracts will become a thing of the past. Everyone from large manufacturers of semi-conductors to small welding shops will basically be operating in a spot market. As I'm sure you've heard, the spot market is not a place you want to be right now. Think about someone who needs an MRI at a local clinic, and who may not be able to have that due to the unavailability of helium supplies for servicing that MRI, which could result from the proposed auction process.

Let me speak about market disruption for a moment. For years, the Cliffside Reservoir has been providing 50% of the U.S. supply of helium and has been used as the only "swing capacity" in the industry, enabling plants there to be turned down during periods of excess supply. It would be invaluable for the industry to maintain this capability for as long as possible, in order to avoid unnecessarily venting product from other sources. The Reservoir is now in decline and it will

reach the proposed strategic reserve of 3 bcf in 5 to 8 years. There are large new supplies of helium coming on line around the world. In Qatar. In Algeria. In Wyoming. But their timing is uncertain. This transition is creating shortages. It's creating tremendous price spikes on the spot market. It's creating a lot of volatility. To transition the Cliffside Reservoir to a pure auction system will make that price and supply volatility dramatically worse. In this environment, it will encourage speculation and hoarding and will not result in new sources of helium being developed.

The Cliffside Reservoir has frankly been a source of stability in a very difficult environment. The reliability and stability of this operation has benefited consumers for decades. It's benefited the high-tech industry here in the U.S. and it's fostered innovation. Those are things we should be striving to preserve.

One of the objectives of the National Academies of Sciences report of 2010 was to encourage recovery and recycling, however with supply uncertainty, customers may be less likely to consider this technology, which typically requires long term investments.

Let me close by saying this. We understand the desire to get a fair deal for the taxpayers. That's commendable. We agree that a better job can be done determining a fair market price. We also believe, justifiably, that a sea-change to a pure auction will jeopardize the stability and reliability that this global helium supply chain depends upon. We think that it's possible to create a process to determine a fair market price and still preserve some certainty for our customers, with minimal market disruption. Unfortunately the approach you have proposed will not achieve that. We're ready to roll up our sleeves and work with you to get this done.

Thank you again for allowing me to testify today. I'd be happy to answer your questions.