POWDER RIVER BASIN RESOURCE COUNCIL & SCIENCE AND ENVIRONMENTAL HEALTH NETWORK (SEHN) & PUBLIC CITIZEN

News Release

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New Economic Analysis: Natural Gas Drilling in Powder River Basin Will Deplete Groundwater – at Public's Expense

WASHINGTON, D.C. -- Extracting natural gas from coal beds in Montana and Wyoming is a risky venture and it's the public who will bear the costs, not the energy companies who do the drilling, according to a new economic analysis released today. The report, *Easy Money, Hidden Costs: Applying Precautionary Economic Analysis to Coalbed Methane in the Powder River Basin,* notes that the largest risk is depleting groundwater in the semi-arid region of northern Wyoming and southeastern Montana, commonly known as the Powder River Basin – a loss that could cost taxpayers as much as $10.1 billion in current market value.

There are no mechanisms currently in place to compensate for either the known public costs or the substantial risks to the region's society and economy, said the report's authors, Nancy Myers, of the Science and Environmental Health Network (SEHN), and Joshua Skov, an economist and SEHN consultant.

"Coalbed methane extraction in the Powder River Basin simply doesn't pay for itself," said Skov. "It is profitable from the narrow viewpoint of the extractive industries involved but it does not cover the costs of current and future impacts on farmers, ranchers, citizens and other users of air, water and land."

Over the next five years, federal tax breaks for the oil and gas companies operating in the Powder River Basin alone could range from $700 million to $1.7 billion. As of May 2003, there were 11,238 wells in the Powder River Basin. Under the current plan, within the next decade the number of coalbed methane wells is predicted to climb to 77,000 and the subsidy received by oil and gas drillers could exceed $300 million per year.

"The pending energy tax package in Congress would permit companies to earn absurdly generous tax credits for this reckless form of drilling – with taxpayers being forced to cover the costs," said Wenonah Hauter, director of Public Citizen's energy program, a national consumer advocacy organization based in Washington, D.C. "Taxpayers hardly need to offer a helping hand to already-lucrative companies that enjoy cumulative after-tax profits in the billions of dollars."

As much as 11 trillion gallons of water could be lost, enough to meet the household needs of all the current residents in both states of Wyoming and Montana for 150 years, if current expansion plans continue. Water is lost when it is pumped to the surface in order to release methane gas that is trapped underground. Among the hardest hit by water supply and growth problems are the farming and ranching communities, where ground water is central to their survival.

"Wells are drying up," said Clay Rowley, a Powder River Basin resident. "It could take a century for the ground water essential for our home wells and livestock to be replenished after methane companies leave. Local residents like me are facing loss of quality of life and property values while methane companies benefit from government subsidies at surface landowner expense."

The report recommends implementing Environmental Assurance Bonds, a kind of "bottle deposit" on natural resource extraction, and damage agreements to address some of the problems brought by the large and long-term risks of coalbed methane drilling and the unfair distribution of these risks. In March 2004, Wyoming Gov. Dave Freudenthal (D) attempted to introduce the idea of a coalbed methane "contingency fund," which is similar to an assurance bond, but it was quickly tabled in the face of industry opposition and Republican lawmakers.

To read the report, please go to http://sehn.org/pdf/cbm.pdf.

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About the authors:

Nancy Myers writes about science, values, and environmental policy for the Science and Environmental Health Network (SEHN). She is a former managing editor of the Bulletin of the Atomic Scientists.

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