Abuse of Taxpayer-Owned Powder River Basin Coal

Intended for Energy Security, National Security
Sold to Big Coal for Big Profits Overseas

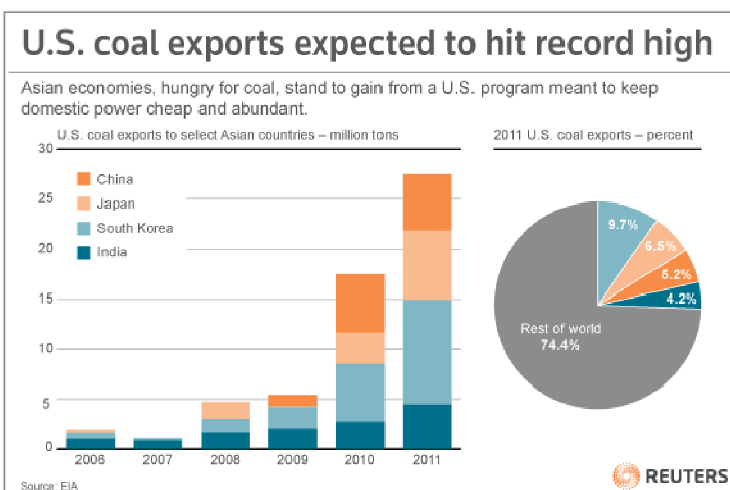
The Powder River Basin of Wyoming and Montana produces about 44% of the nation's coal. The coal primarily comes from federally owned reserves and is leased by the Bureau of Land Management (BLM), which holds the coal in trust for the public's benefit.

BLM sells federal coal to private companies, like Peabody Energy and Arch Coal, "to meet the nation's energy needs."[1] In its Records of Decision approving coal sales, BLM says the federal coal program "provides a reliable, continuous supply of stable and affordable energy for consumers throughout the country" and helps to "reduce our nation's dependence on foreign energy supplies."[2]

> Peabody is "opening the door to a new era of U.S. exports from the nation's largest and most productive coal region to the world's best market for coal."
>
> - Peabody Energy Chairman Gregory Boyce[3]

For decades, the BLM might have been right. Powder River Basin coal has historically been used for electric power in over 35 states across the U.S. But now, with domestic demand for coal shrinking because of aging coal plants, concerns about air pollution and the global climate, and rock-bottom natural gas prices, the coal industry is eyeing Asian power markets as a way to dramatically boost their bottom lines. The very companies that BLM is selling our coal to—Peabody and Arch—are developing export terminals with the intent to export more and more Powder River Basin coal to U.S. competitors like China and India.

We are calling on BLM to programmatically evaluate its coal leasing program to determine if Powder River Basin coal is being sold for below fair market rates for purposes that directly contradict BLM's stated purpose for this taxpayer-owned asset. BLM should pause all pending lease sales while this evaluation is carried out.



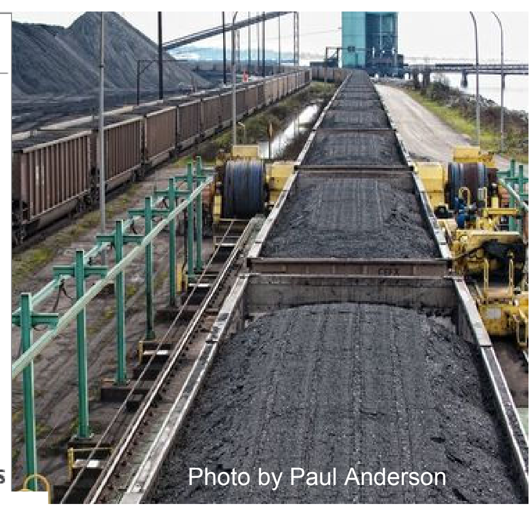


Photo by Paul Anderson

POWDER RIVER BASIN Resource Council

NORTHERN PLAINS RESOURCE COUNCIL

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Why Exporting Taxpayer-Owned Coal Matters

BLM's Great Giveaway

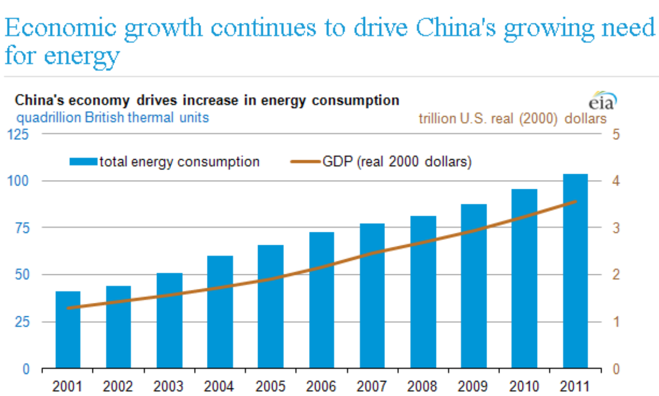
BLM rules specify that the government can only sell coal at a price that meets or exceeds the "fair market value" set by the agency. However, a June 2012 report by the Institute for Energy Economics and Financial Analysis found that BLM's leasing practices result in an uncompetitive coal market, artificially lowering the price of coal.[4] As a result, the coal industry has received a windfall subsidy while federal and state governments have lost as much as $28.9 billion in revenue over the past 30 years. If this coal is exported, the BLM will be subsidizing the ability of mining companies to supply coal to Asian markets at a profit far beyond what they can obtain domestically.

Public Coal Reserves are Shrinking

The U.S. Geological Survey estimates that there is less than a 25 year supply of economically recoverable coal reserves in the most prolific Powder River Basin coalfield at current mining rates,[5] and other coalfields face similar supply restraints. Sending our dwindling coal reserves to economic competitors only undermines U.S. energy security interests.

Powering China's Economy Undermines U.S. Interests

According to an analysis by the Economic Policy Institute, more than 2.7 million U.S. jobs were lost or displaced by the trade deficit with China between 2001 and 2011.[6] The long-term impact of exporting taxpayer-owned coal to China and other economic competitors is subsidizing cheap energy for foreign manufacturers, giving them an unfair advantage. This will only worsen trade deficit problems.



References

1. Final Environmental Statement for the Wright Area Coal Lease Applications at 1-17.
2. *See, e.g.* Record of Decision for the North Porcupine Coal Lease Application at 10.
3. Peabody Energy Press Release, Feb. 28, 2011.
4. Institute for Energy Economics, *The Great Giveaway: An Analysis of The United States' Long-Term Trend of Selling Federally Owned Coal for Less Than Fair Market Value,"* June 2012.
5. United States Geological Survey, *Assessment of Coal Geology, Resources, and Reserves in the Gillette Coalfield, Powder River Basin, Wyoming,* revised Feb. 2012, *available at* http://pubs.usgs.gov/of/2008/1202/.
6. Economic Policy Institute, *The China Toll*, Aug. 23, 2012, *available at* http://www.epi.org/publication/bp345-china-growing-trade-deficit-cost.