

FACT SHEET: MODERNIZING THE FEDERAL COAL PROGRAM

Rather than subsidize the past, we should invest in the future -- especially in communities that rely on fossil fuels. That's why I'm going to push to change the way we manage our oil and coal resources, so that they better reflect the costs they impose on taxpayers and our planet.

-President Obama, 2016 State of the Union

Coal has been an important domestic energy source for decades and that will continue in the years ahead. The federal government plays a major role in facilitating and regulating U.S. coal production; taxpayer-owned federal lands supply roughly 40 percent of all U.S. coal production.

The federal government has a responsibility to all Americans to ensure that the coal resources it manages are administered in a responsible way to help meet our energy needs and that taxpayers receive a fair return for the sale of these public resources. And yet, over the past few years, it has become clear that many of the decades-old regulations and procedures that govern the federal coal program are outdated and may not reflect the realities of today's economy or current understanding of environmental and public health impacts from coal production.

In March 2015, Secretary of the Interior Sally Jewell called for an "open and honest conversation about modernizing the federal coal program," and she launched a series of listening sessions across the country to hear from the public on complex questions, including: Are taxpayers and local communities getting a fair return from these resources? How can we make coal leasing more transparent and more competitive? How do we manage the program in a way that is consistent with our climate change objectives?

As a direct result of these public listening sessions – as well as concerns raised by the Government Accountability Office, the Interior Department's Inspector General, and Members of Congress – Secretary Jewell is taking the next step in the conversation by launching a formal, comprehensive review of the federal coal program. While the review is underway, consistent with practices during previous programmatic reviews of the federal coal program, Secretary Jewell has ordered a pause on significant new coal leasing decisions on public lands so that those decisions and leases will have the benefit of the comprehensive review.

COMPREHENSIVE FEDERAL COAL PROGRAM REVIEW

The Interior Department will prepare a Programmatic Environmental Impact Statement (PEIS) consistent with the National Environmental Policy Act (NEPA) that will identify and evaluate potential reforms to the federal coal program.

A programmatic review of the coal program has not been undertaken in more than 30 years. In 1983 and 1984, Congress established a commission to investigate fair market value policies for coal leasing and required a study of whether the coal leasing program was compatible with national environmental protection goals. The Interior Department followed these reports with a supplemental PEIS on the federal coal program, completed in 1986. Previously, in 1973, President Nixon's Interior Department launched a PEIS in response to serious concerns about speculation in the coal leasing program, which was completed in 1979. Both programmatic reviews were accompanied by similar pauses in new coal leasing decisions.

This review will take a careful look at issues related to the Bureau of Land Management's (BLM) administration of the federal coal program, primarily:

- The appropriate leasing mechanisms to determine how, when and where to lease;
- How to account for the environmental and public health impacts of the coal program; and
- How to ensure the sale of these public resources results in a fair return to the American taxpayers, including whether current royalty rates should be adjusted.

The review will also explore whether U.S. coal exports should factor into leasing or other program decisions; how the management, availability and pricing of federal coal impacts domestic and foreign markets and energy portfolios; and the role of federal coal in fulfilling the energy needs of the United States.

The review will include extensive opportunities for public participation. The PEIS will kick off with public sessions in early 2016 to help determine the precise scope of the review. The Interior Department will release an interim report by the end of 2016 with conclusions from the scoping process about alternatives that will be evaluated and, as appropriate, any initial analytical results. It is expected that the review will take approximately three years to complete.

PAUSE IN NEW COAL LEASING with Continued Mining of Coal Reserves under Existing Leases

Given the serious concerns raised about the federal coal program and the large reserves of undeveloped coal already under lease to coal companies, it does not make sense to continue to issue new leases under outdated rules and processes. While the review is underway, and consistent with the practice during two previous programmatic reviews, the Interior Department is instituting a pause on new coal leasing on public lands so that those leasing decisions can benefit from the recommendations that come out of the review.

Importantly, the pause does not apply to existing leases and coal production activities. Based on current production levels, coal companies now have approximately 20 years of recoverable coal reserves under lease on federal lands. This estimate may be conservative as Energy Information Administration analyses and other market trends show continuing declines in demand for coal.

During the pause, the BLM will not hold lease sales or process new lease applications for surface and underground coal. There will be limited, commonsense exemptions to the pause for small lease modifications (160 acres or less), coal lease exchanges, certain preference right lease interests, and emergency leasing as defined by the BLM's current regulations, such as where there is a demonstrated safety need or insufficient reserves. Preparatory work on already-pending applications may continue, including NEPA analysis, but the BLM will not make final decisions on new leases, absent an applicable exemption. Pending leases that have already completed NEPA analysis and received a final Record of Decision or Decision Order by a federal agency under the existing regulations will be allowed to complete the final procedural steps to secure a lease or lease modification, including those that are undergoing re-evaluation after having been vacated by judicial decision. The pause does not apply to metallurgical coal (used in steel production), renewals of existing leases, or other BLM, Office of Surface Mining, or Office of Natural Resources Revenue actions related to the federal coal program, such as mine plan approvals. The pause does not apply to coal leases on tribal or allotted lands.

Given the abundance of coal reserves under lease, the declining demand for coal, and the accommodations that will be made for emergency circumstances, the pause should have no material impact on the nation's ability to meet its power generation needs.

GOOD GOVERNMENT: Improving Transparency and Measuring Carbon Emissions on Public Lands

The Interior Department is also launching a series of good government reforms to improve the transparency and administration of the federal coal program.

First, in order to better understand and manage carbon emissions on public lands, the Interior Department's U.S. Geological Survey will establish and maintain a public database to account for the annual carbon emissions from fossil fuels developed on federal lands. Currently, there is no dedicated, official measure of the harmful greenhouse gas emissions from coal, oil and gas produced on public lands; however, an independent analysis suggests these emissions could amount to 28 percent of the nation's annual total energy-related emissions. Improved, timely and transparent accounting by one of the world's premier Earth science agencies will provide critical information for the public and federal land managers to reduce carbon pollution from fossil fuel activities as part of the President's Climate Action Plan.

Second, in the near term, the BLM will issue guidance that:

- Improves transparency in the leasing process, such as by requiring BLM State and field offices to post online in an easily accessible format notice of each pending request to lease coal or to reduce royalties;
- Clarifies the process through which the BLM may consider requests for royalty rate reductions;
- Conditions discretionary exchanges or sales of federal coal deposits to another owner on the requirement that the new owner obtain surface owner consent before allowing any coal development; and
- Facilitates the capture of waste mine methane by providing that new or readjusted leases would authorize the coal lessee to capture and sell waste mine methane (if the authorization would not conflict with pre-existing oil and gas lease interests).

###