

**MINING IN AMERICA: POWDER
RIVER BASIN COAL MINING,
THE BENEFITS AND CHAL-
LENGES**

OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND
MINERAL RESOURCES

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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Tuesday, July 9, 2013

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**OVERSIGHT HEARING ON MINING IN
AMERICA: POWDER RIVER BASIN COAL
MINING, THE BENEFITS AND CHALLENGES**

**Tuesday, July 9, 2013
U.S. House of Representatives
Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
Washington, D.C.**

The Subcommittee met, pursuant to notice, at 2:06 p.m., in room 1324, Longworth House Office Building, Hon. Doug Lamborn [Chairman of the Subcommittee] presiding.

Present: Representatives Lamborn, Lummis, Daines, Stewart, Huffman, and Lowenthal.

Mr. LAMBORN. The Committee will come to order. The Chairman notes the presence of a quorum, which, under rule 3(e), is two Members.

The Subcommittee on Energy and Mineral Resources is meeting today to hear testimony on an oversight hearing titled, "Mining in America: Power River Basin Coal Mining, the Benefits and Challenges."

Under Committee rule 4(f), opening statements are limited to the Chairman and Ranking Member of the Subcommittee. However, I ask unanimous consent to include any other Members' opening statements to the hearing record, if submitted to the clerk by close of business today.

[No response.]

Mr. LAMBORN. Hearing no objection, so ordered. I now recognize myself for 5 minutes.

STATEMENT OF THE HON. DOUG LAMBORN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. LAMBORN. Early this year I went to Wyoming, from my home in Colorado, to tour a mine in the Powder River Basin. I was impressed with the operation and the vast extent of the coal resources in the region. Before me was a story of American success; the use of our natural resources that we have been blessed with to: enrich our Nation and her people, secure our domestic energy supply, and then to reclaim those lands for other uses.

After that visit, I thought this story, in many ways the American story, deserved a hearing so we could focus on what made this region such a success, and how we could use that success to create jobs, increase energy production and economic benefits in other parts of the Nation.

About 40 percent of the coal mined in the United States comes from the Powder River Basin. The region has tremendous potential. According to a recent U.S. Geological Survey assessment, the Powder River Basin of Wyoming and Montana contains about 162 bil-

lion short tons of recoverable coal from a total of 1.07 trillion short tons of in-place resources. And that's a quote from their assessment. That's a lot of coal, a lot of coal that can be used to generate electricity to light, heat and cool our homes, power our Nation's industries and small businesses, and run the computers our economy depends on. It is also a lot of revenue, bringing more than a billion dollars to the Federal treasury each year.

However, with the onslaught of new regulations affecting the operation of coal-fired power plants, some of which require technology that has not yet been invented, or that may never be commercially available, the abundant coal resources from the Powder River Basin and elsewhere around the country may grind to a halt.

The United States has the world's largest supply of known recoverable reserves, about 24 percent. Coal is found in 38 U.S. States, and nearly one-eighth of the country lies over coal beds. The United States has twice as many BTUs in its coal reserves than the entire world has in its oil reserves. It would be the height of folly to throw this resource away.

Especially at a time when American families are paying nearly double what they spent a decade ago on energy for their homes, Congress needs to look at how to make energy more affordable for families and businesses. Because nearly 40 percent of all electricity in the United States is generated from coal-fired power plants, it makes sense to look at ways to increase coal production from our public lands. We know that we can do this in an environmentally responsible way under existing laws and regulations.

Historically, development of the Powder River Basin coal resources has created family wage jobs, resulted in affordable energy across the country, and brought revenues to the Federal, State, tribal, and local governments. Today, workers in the Powder River Basin have a tremendous opportunity to benefit from the expansion of the export market for domestically produced coal.

To accomplish this, new partnerships are being formed with railroads and export terminals from Canada and the Pacific Northwest to the Gulf and the Atlantic. From Germany to Japan, our allies around the world are looking to enhance their energy security. American coal, mined by American workers, generating revenue for the American treasury can and should be a part of their solution for the future.

And yet, it appears to me that every opportunity for a coal miner to work is under attack from the Obama Administration. Coal has played a vital role in the economic development and vitality of the United States, driving the industrialization of the western world, providing abundant, reliable, and affordable energy. The Powder River Basin is that American story; it has and can continue to have the potential to do so well into the future.

I look forward to hearing from our witnesses today.
[The prepared statement of Mr. Lamborn follows:]

PREPARED STATEMENT OF THE HONORABLE DOUG LAMBORN, CHAIRMAN,
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

Early this year, I drove into Wyoming from my home in Colorado to tour a mine in the Powder River Basin. I was impressed with the operation and the vast extent of the coal resources in the region. Before me was a story of American success, the use of our natural resources to enrich our Nation and her people, secure our domes-

tic energy supply, and in the end reclaim those lands for other uses. After that visit, I thought this story, in many ways the American story, deserved a hearing so we could focus on what made this region such a success and how we could use that success to create jobs, increase energy production and economic benefits in other parts of the Nation.

About 40 percent of the coal mined in the United States comes from the Powder River Basin and the region has tremendous potential. According to a recent United States Geological Survey assessment, “The Powder River Basin of Wyoming and Montana contains about 162 billion short tons of recoverable coal from a total of 1.07 trillion short tons of in-place resources . . .”.

That’s a lot of coal—a lot of coal that can be used to generate electricity to light, heat and cool our homes and power our Nation’s industries and small businesses. It is also a lot of revenue bringing more than a billion dollars to the Federal treasury each year.

However, with the onslaught of new regulations effecting the operation of coal-fired power plants, some of which require technology that has not yet been invented or that may never be commercially available, the abundant coal resources from the Powder River Basin and elsewhere around the country may grind to a halt.

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Especially at a time when American families are paying nearly double what they spent a decade ago on energy for their homes, Congress needs to look at how to make energy more affordable for families and businesses. Because nearly 40 percent of all electricity in the United States is generated from coal-fired power plants, it makes sense to look at ways to increase coal production from our public lands.

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Coal has played an important role in the economic development and vitality of the United States—driving the industrialization of the western world—providing abundant, reliable and affordable energy. The Powder River Basin is that American story; it has and can continue to have the potential to do so well into the future.

I look forward to hearing from our witnesses today.

Mr. LAMBORN. And now I would like to recognize the Ranking Member for 5 minutes.

STATEMENT OF THE HON. JARED HUFFMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. HUFFMAN. Thank you, Mr. Chairman. It’s good to be standing in as Ranking Member today, and I am glad that you have called this hearing.

Coal production from public lands in the Powder River Basin in Wyoming and Montana today comprises a huge percentage of our total domestic production. Forty percent of our Nation’s coal production occurs on public lands; and the vast majority of that, more than 80 percent, is produced in Wyoming. And yet, coal production from public lands in the Powder River Basin has largely escaped oversight in recent years. It has been nearly 20 years since the GAO has examined the Federal coal program. This is the first hearing that we have had on coal production in this region, in 2½

years under the Majority. We have a responsibility in this Committee, I believe, to ensure that taxpayers are getting a proper return on this incredibly valuable public resource.

Indeed, taxpayers have a history of getting short-changed when it comes to coal production in the Powder River Basin. In the early 1980s, at the request of Ranking Member Markey, the GAO undertook an investigation into the coal leasing program in that region. And the GAO found that the Reagan Administration had been leasing coal in the Basin for \$100 million less than fair market value. As a result, Congress created a special commission to look at this issue, and enacted a moratorium on leasing until the problems could be addressed and taxpayers could be guaranteed a proper return.

There are troubling indications that taxpayers may once again be losing millions of dollars that they are rightfully owed from coal leases in the Powder River Basin. Last month the Interior Department Inspector General issued a report which concluded that taxpayers may have lost \$2 million in recent lease sales and \$60 million in potentially under-valued lease modifications.

Now, according to the inspector general, the vast majority of lease sales in the Powder River Basin are not, in reality, competitive. Over the past 20 years, more than 80 percent of the coal lease sales in the Basin received bids from a single company. This lack of industry competition means that if the Department is not correctly estimating the fair market value of the federally owned coal, then taxpayers could be losing millions of dollars.

And as coal companies are increasingly looking to export coal produced in the United States abroad, where it can be sold for higher prices, the inspector general report found that the Interior Department does not fully account for the possibility of exports in determining the value of coal below our public lands. In fact, the amount of coal being exported from the United States and the price of exported coal has doubled since 2007. Coal companies have told their investors they want to continue growing the amount of American coal sent overseas. Leases in the Powder River Basin are issued for 20 years. These mines can last decades longer than that. We need to ensure that the Interior Department is properly factoring exports into the value of these leases that are issued today to protect our taxpayers.

Despite the claims of the Majority, the Obama Administration is leasing coal in the Powder River Basin. In fact, there were more successful coal lease sales in the region during President Obama's first term than during President Bush's first term. We have produced slightly more coal from Federal lands during the last 4 years under the Obama Administration than during the previous 4 years under the Bush administration. And I will say I take no joy in these facts, as somebody who happens to care about climate change, and happens to believe we should be transitioning away from coal. But the facts are the facts, and we should bear that in mind as we move forward with this hearing. We must now ensure that taxpayers are getting their fair share for that public resource.

I was disappointed to see that the Interior Department will not be able to testify at the hearing today. This Committee needs to hear from the Department directly on what it is doing to respond

to the recommendations from the inspector general, and to ensure that taxpayers are being protected. I hope that the Majority would work with us on that, and I look forward to the testimony of our witnesses.

[The prepared statement of Mr. Huffman follows:]

PREPARED STATEMENT OF THE HONORABLE JARED HUFFMAN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA

Thank you.

Mr. Chairman, I am pleased that you have called this hearing today. Coal production from public lands in the Powder River Basin in Wyoming and Montana today comprises a huge percentage of our total domestic production. Forty percent of our Nation's coal production occurs on public lands and the vast majority of that—more than 80 percent—is produced in Wyoming.

Yet coal production from public lands in the Powder River Basin has largely escaped oversight in recent years. It has been nearly 20 years since the Government Accountability Office has examined the Federal coal program. This is the first hearing we have had on coal production in this region in 2½ years under the Majority. We have a responsibility in this Committee to ensure that taxpayers are getting a proper return on this incredibly valuable public resource.

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I yield back the balance of my time.

Mr. HUFFMAN. I yield back the balance of my time.

Mr. LAMBORN. OK, thank you. I would now like to ask the witnesses to come forward. And we will hear first from Congressman Daines of Montana who would like to introduce the first witness.

Mr. DAINES. Thank you, Mr. Chairman. And thank you for holding this hearing today.

The Powder River Basin coal plays a big role in my home State of Montana. In fact, just last year, coal generated \$118 million in revenues for our State. Additionally, Montana has a coal severance tax, which funds a trust fund that currently amounts to more than \$870 million that helps fuel other programs in our State.

Coal mining in Montana sustains 864 direct jobs, these are good, high-paying jobs with good benefits, and is projected to grow to almost 1,300 direct jobs from existing and new mines that are coming online. Powder River Basin coal is very competitive in the global market.

Our State has been blessed with hundreds of hard-working people in the coal industry who are employed by responsible companies like Westmoreland, Arch Coal, and Cloud Peak, who have made important commitments to our local communities. Still, though, unfortunately, many areas of our State have double-digit unemployment.

In Chairman Old Coyote's testimony you will soon hear, he will state that the unemployment rate on his reservation is 47 percent, despite one coal company employing their workforce with 70 percent tribal members. Future generations leave our State to find good-paying jobs elsewhere. Coal is part of the solution in Montana to keeping kids that want to call Montana home. And I can tell you, grandmas and grandpas don't want to have to fly to California or to the east coast to see their grandkids, when they grew up in Montana.

I would truly like to sincerely welcome Chairman Darrin Old Coyote before us today, and share with you our shared vision for the future of our State. I can tell you when I first met Chairman Old Coyote when I was newly elected here in January, we traded stories. His cousin, Rachel Old Coyote, and I walked to grade school together back in Bozeman in the late sixties. So I have known the Old Coyote family for a long time. It is a very, very respected family in the State of Montana.

In fact, a few months ago, the Chairman was in town with his 9-year-old daughter. And, as a father of four myself, I know we both share convictions to work hard so that our children and future generations can have the best opportunities possible. Chairman Old Coyote has an exciting vision, where he sees resource development as a key to better future for his tribe.

And let me tell you. In Montana and other States out West, we can develop our resources without damaging our environment. The Chairman mentioned that there are 38 States that have coal deposits. And Congresswoman Lummis here from Wyoming, she mines 10 times more coal than Montana, which we are very proud of, and we are envious of Wyoming. And yet, Montana has the most recoverable coal deposits of any State in the Nation.

I visited some of these coal operations in Montana. I would encourage anyone who hasn't seen one to come out and see what is going on in Montana and Wyoming, as these companies responsibly

mine and then reclaim the land. I am an avid outdoorsman, I hunt, I fish, I backpack, I climb mountains. I am impressed with their environmental stewardship as they restore the lands to their original state, right down to the topography.

Chairman Old Coyote continues to lead the Crow Tribe in responsible beneficial partnerships with coal developers like Westmoreland and Cloud Peak, so that his tribal members have opportunities for good-paying jobs.

I am glad the Chairman is here today to share his mission to responsibly develop our natural resources that our State has been blessed with, so that our kids, so that Chairman Old Coyote's kids, can continue to call Montana home.

I yield back the balance of my time.

Mr. LAMBORN. OK. Thank you for that introduction. I would like to welcome the rest of the panel. We have Mr. Dan Coolidge, Chairman of the Campbell County Commissioners; Ms. Mary Hutzler, Distinguished Senior Fellow of the Institute for Energy Research; and, finally, the Democrat Minority's witness, Ms. Mary Kendall, with the Office of the Inspector General for the Department of the Interior.

Now, as Ms. Kendall takes her seat, I have to say the following. The Department of the Interior needs to have an independent watchdog to protect against fraud, waste, and abuse, and to keep Congress apprised of management problems and wrongdoing within the Department. Unfortunately, the Department has been without such a watchdog for more than 4 years. The Committee has significant concerns that the Office of Inspector General, under Ms. Kendall's leadership, has lacked the necessary independence required of an IG, and has been too accommodating in its investigations and reviews of the Department.

The Committee, and more specifically, this member, myself, has had serious concerns that Ms. Kendall's previous testimony before this Committee has been inaccurate and misleading. Ms. Kendall has also refused to comply with a duly authorized and issued subpoena for documents related to the IG's 2010 investigation into the Department's deepwater moratorium in the Gulf of Mexico.

The IG, under her direction, has also, on several occasions, halted investigations, collaborated with the Department on policy initiatives, and softened reports that could have embarrassed the Administration. To be clear, Ms. Kendall has little credibility before this Committee as a witness, and is here today only at the invitation of the Minority. It would have been preferable for the Minority to invite, and the IG to make available, the head of the IG's audit division who led the coal evaluation study, rather than Ms. Kendall.

It is also unfortunate that Ms. Kendall has remained in charge of the IG, in spite of these problems, and that her presence there continues to tarnish the reputation of the office and the hard work of the IG's many dedicated employees. The President needs to nominate a permanent, independent replacement to lead the IG without further delay.

Like all of our witnesses, your written testimony will appear in full in the hearing record, so I ask that you keep your oral state-

ments to 5 minutes. Our microphones are not automatic, so you have to press the button to begin.

And here is how the timing lights work. When you begin to speak, the clerk will start the timer and a green light will appear. After 4 minutes a yellow light will appear. And at that time you should begin to conclude your statement. After 5 minutes, the red light comes on, and I would ask that you conclude at that time.

And we will now begin with Chairman Old Coyote. And you can begin.

**STATEMENT OF DARRIN OLD COYOTE, CHAIRMAN,
CROW NATION**

Mr. OLD COYOTE. Good afternoon. On behalf of the Crow Nation, I want to thank Chairman Lamborn, Representative Daines, and the members of the House Subcommittee on Energy and Mineral Resources for holding this oversight hearing on Powder River coal mining.

My name is Darrin Old Coyote, and I am Chairman of the Crow Nation. I appreciate this invitation to provide testimony from the Crow Nation's perspective on coal development, an area central to my administration and a topic that has unlimited potential to improve the ongoing substandard socio-economic conditions of the Crow people and the surrounding communities in southeastern Montana, which includes the northern portion of the Powder River Basin.

I have served as an elected official of the Crow Nation for 8½ years. My purpose today is to provide a brief history of the Crow Nation's resources, to summarize my administration's efforts to develop coal in the northern Powder River Basin, and to share the benefits and challenges of Crow coal development.

The Crow Nation is a sovereign government located in southeastern Montana. The Crow Nation has three formal treaties with the Federal Government, concluding with the Fort Laramie Treaty of 1868. The Crow Reservation originally encompassed most of Wyoming, including the Powder River Basin and southeastern Montana, totaling 38.5 million acres. Through a series of treaties, agreements, and unilateral Federal laws over a 70-year span, Crow territory was reduced by 92 percent to its current 2.2 million acres.

In addition to substantial land loss, the remaining tribal land base within the exterior boundary of the Crow Reservation was carved up by the 1920 Crow Allotment Act. Because of allotment and Federal probate of Indian property, with many Indians dying without wills, fractionated land ownership arose. The Crow land base has been decimated by fractionated ownership of various allotments.

The Department of the Interior estimates that over 10 percent of all fractionated lands within Indian country are actually within the Crow Reservation, with numerous parcels of allotted lands that have more than 10 owners, and sometimes more than 100 owners. In sum, the loss of the Crow land base, allotment, and fractionation have collectively resulted in checkerboard ownership of Reservation lands, giving rise to overlapping governmental authority in Indian country.

The Crow Nation has very substantial undeveloped coal resources. In fact, today, the Crow Indian Reservation contains an estimated 9 billion tons of coal. The Crow Nation has developed a limited amount of its resource by leasing a portion of its coal reserves for 39 continuous years to Westmoreland.

The Absaloka Mine was developed to supply Powder River Basin coal to Midwestern utilities, and it has produced over 180 million tons of coal since 1974. From the mines, 5 to 7 million tons per year of coal production, it provides production taxes and royalties to the Crow Nation exceeding 20 million in 2010, when the mine was operating at full capacity. The revenue generated from the mine represents as much as two-thirds of the Crow Nation's non-Federal budget.

Westmoreland employs a 70-percent tribal workforce, with an average annual salary of \$66,000. The Absaloka Mine is the largest private employer within the Crow Reservation. The importance of the mine to the economy of the Crow Reservation could not be overstated. Without question, it is a critical source of jobs, financial support, and domestically produced energy. Westmoreland has been the Crow Nation's most significant private partner for over 39 years.

A recent example demonstrates the importance of the Absaloka Mine to the Crow people. A major unplanned outage at the mine's largest power plant customer over the past 2 years resulted in a 50 percent reduction in tribal coal revenue and numerous employment lay-offs.

Despite the challenging environment, the Crow Nation has intensified its efforts to develop its coal resources, diversify its revenue streams with respect to the Absaloka Mine. The Crow Tribe legislature approved Westmoreland lease in March of 2013. And similarly, in June, the BIA approved another tribally approved agreement with Cloud Peak Energy.

Over the past 6 months I have sent three Crow delegations to the Northwest to meet and work with tribal nations, investigate proposed co-export projects, and then analyze the follow-up on these recent diplomatic discussions and fact-finding trips about possible relationships involving Crow coal transportation and export terminal partners. During the last two trips, I invited present and potential project partners, as well as tribal leaders from Northwest tribal nations to visit my homeland to see firsthand Crow coal development, and listen to their concerns.

I will continue to work with everyone and respect tribal treaty rights, sacred sites, and local concerns. However, I strongly feel that non-governmental organizations cannot and should not tell me to leave Crow coal in the ground. I was elected to provide basic services and jobs to my citizens, and I will steadfastly and responsibly pursue Crow coal development to achieve my vision for the Crow people.

[The prepared statement of Mr. Old Coyote follows:]

PREPARED STATEMENT OF DARRIN OLD COYOTE, CHAIRMAN, CROW NATION

I. INTRODUCTION

Good morning. On behalf of the Crow Nation, I want to thank Chairman Lamborn and the members of the House Subcommittee on Energy and Mineral Resources for

holding this Oversight Hearing on Powder River Coal Mining. My name is Darrin Old Coyote and I am the Chairman of the Crow Nation. I appreciate this invitation to provide testimony from the Crow Nation's perspective on coal development, an area central to my administration and a topic that has unlimited potential to improve the ongoing substandard socioeconomic conditions of the Crow people and the surrounding communities in southeastern Montana (the northern portion of the Powder River Basin).

I have served as an elected official of the Crow Nation for 8.5 years. More recently, in November 2012, I was elected as Chairman of the Crow Nation. Over the past 7 months, with the help of our coal partners and the Crow Nation legislative branch, we have taken several meaningful steps toward the successful development of our coal resources and look forward to completing, in the next few years, projects that will positively transform my community. My purpose today is to provide a brief history of the Crow Nation's resources, to summarize my administration's efforts to develop Crow coal in the northern Powder River Basin, and to share the benefits and challenges of Crow coal development.

II. BRIEF OVERVIEW OF CROW RESERVATION, LAND ISSUES AND RESOURCES

A. *Brief History of Land and Development Challenges*

The Crow Nation is a sovereign government located in southeastern Montana. The Crow Nation has three formal treaties with the Federal Government, concluding with the Fort Laramie Treaty of May 7, 1868. The Crow Reservation originally encompassed most of Wyoming (including the Powder River Basin) and southeastern Montana, totaling 38.5 million acres. Through a series of treaties, agreements and unilateral Federal laws over a 70 year span, Crow territory was reduced by 92 percent to its current 2.2 million acre area.

In addition to substantial land loss, the remaining tribal land base within the exterior boundary of the Crow Reservation was carved up by the 1920 Crow Allotment Act. In 1919, prior to the Allotment Act, there were 2,453 allotments (individual Crow ownership), consisting of 482,584 acres. By 1935, there were 5,507 Crow allotments, consisting of 2,054,055 acres (218,136 acres were alienated by 1935). The Big Horn and Pryor Mountains were not allotted and still remain reserved for the Crow Nation and its citizens.

Because of allotment and Federal probate of Indian property (with many Indians dying without wills), the phenomenon of fractionated land ownership arose—where several (sometimes hundreds of) owners might have varying interests in a single parcel. By 1928, the Meriam Report declared the Federal allotment policy to be one of the most disastrous Federal policies of all time. During discussions leading up to the Indian Reorganization Act of 1934, one congressman explained the fractionating effects of allotment in this fashion:

“It is in the case of the inherited allotments, however, that the administrative costs become incredible On allotted reservations, numerous cases exist where the shares of each individual heir from lease money may be 1 cent a month. Or one heir may own minute fractional shares in 30 or 40 different allotments. The cost of leasing, bookkeeping, and distributing the proceeds in many cases far exceeds the total income. The Indians and the Indian Service personnel are thus trapped in a meaningless system of minute partition in which all thought of the possible use of land to satisfy human needs is lost in a mathematical haze of bookkeeping.” 78 Cong.Rec. 11728 (1934), cited in *Hodel v. Irving*, 481 U.S. 704 (U.S.S.D. 1987).

The Crow land base has been decimated by fractionated ownership of various allotments. The Department of the Interior estimates that over 10 percent of all fractionated lands within Indian country are actually within the Crow Reservation (with numerous parcels of allotted lands that have more than 10 owners and sometimes more than 100 owners). By meaningfully addressing the fractionation issue at Crow through implementation of the Cobell Settlement (enacted by Congress and signed by the President in December 2010), we can hopefully make more of the Crow homeland productive for both residential and energy development purposes.

In sum, the loss of the Crow land base, allotment, and fractionation have collectively resulted in checkerboard ownership of reservation lands, giving rise to overlapping governmental authority in Indian country (Federal, State, tribal and local). Sometimes, the land issues become cost prohibitive for some project developers. As discussed later, tax incentives are critical and need to be provided in order to level the playing field for Indian energy projects.

B. Present Land, Population, and Education

The statistical land ownership resulting from the above described legal history is approximately: 45 percent Crow allotments; 20 percent Crow Nation trust and fee land; and 35 percent non-Indian fee land (basically $\frac{2}{3}$ of surface land is owned by the Crow Nation and individual Crows). However, overall, the pattern of surface ownership generally is “checkerboard” with interspersed Crow Nation trust and fee lands, Crow allotments and non-Indian fee lands. At times, the checkerboard nature of the surface ownership creates challenges, summarized later, for developing the subsurface minerals (almost all of which is owned by the Crow Nation).

Today, there are about 13,000 enrolled citizens of the Crow Nation, with approximately 9,000 of those residing within the exterior boundaries of the Reservation. Our goal is to invite more of our citizens to return home to live and resume tribal relations, but we must be able to offer homes, jobs, and a place to find their dreams. Our current unemployment rate is 47 percent. The Crow Nation has always emphasized higher education and we currently have more than 400 annual applications for higher education assistance. Because of Federal funding limitations and internal budget constraints, however, we can only partially fund 90 students each year.

In addition to providing financial support for education, we have a separately chartered tribal college (Little Bighorn College, “LBHC”) that started operations in 1981. LBHC has had over 350 graduates. LBHC graduates are employed on and around the Crow Reservation in a variety of positions including teachers’ aids, computer technicians, office managers and administrative assistants. At least 60 have completed bachelor’s degrees and are pursuing professions in education, social work, human services, science, nursing, technology, accounting and business. As we move forward in developing our coal resources, LBHC can help to provide our citizens with training in fields for new job opportunities.

C. Coal, Past and Present

The Crow Nation has very substantial undeveloped coal resources. In fact, today, the Crow Indian Reservation contains 2 million acres in subsurface mineral rights, including an estimated 9 billion tons of coal. The Crow Nation has developed a limited amount of its resource, by leasing a portion of its coal reserves for 39 continuous years to Westmoreland Resources, Inc. (“WRI”). WRI owns and operates the Absaloka Mine, a 15,000-acre single pit surface coal mine complex near Hardin, Montana, on the northern border of the Crow Reservation.

The Absaloka Mine was developed to supply Powder River Basin coal to Mid-western utilities and it has produced over 180 million tons of coal since 1974. From the Mine’s 5–7 million tons per year of coal production, it provides production taxes and royalties to the Crow Nation—exceeding \$20 million in 2010 when the Mine was operating at full capacity. The revenue generated from the Mine represents as much as two-thirds of the Crow Nation’s non-Federal budget.

Furthermore, WRI employs a 70 percent tribal workforce, with an average annual salary of over \$66,000, and a total employment expense of approximately \$18.6 million. The Absaloka Mine is the largest private employer within the Crow Reservation. The importance of the Mine to the economy of the Crow Reservation cannot be overstated. Without question, it is a critical source of jobs, financial support and domestically produced energy. WRI has been the Crow Nation’s most significant private partner over the past 39 years.

A recent example demonstrates the importance of the Absaloka Mine to the Crow people. A major unplanned outage at the Mine’s largest power plant customer over the past 2 years resulted in a 50 percent reduction in tribal coal revenue and numerous employment layoffs. We expect the outage to cease soon, with a commensurate return this fall of the tribe’s basic government operating revenue. This recent outage reinforced the need for the Crow Nation to pursue multiple coal projects to diversify our revenue base.

III. MY ADMINISTRATION’S VISION ON ENERGY DEVELOPMENT: POTENTIAL BENEFITS

Given our vast mineral resources, the Crow Nation can, and should, be self-sufficient. My goal is clear. My administration desires to develop our mineral resources in an economically sound, environmentally responsible manner that is consistent with Crow culture and beliefs. More than anything, I desire to improve the Crow people’s quality of life, create a future with good-paying jobs and employment benefits within the Crow Reservation, and provide hope and prosperity for the next seven generations of Crow citizens.

My larger vision is to become America’s energy partner and help reduce America’s dependence on foreign oil. Over the next 40 years, the World Energy Council predicts that the world will need to double today’s level of energy supply to meet in-

creased demand. Primary energy sources, such as coal, oil and gas, have a finite life and therefore we must have an all-of-the-above energy development strategy to meet America's needs as well as global demand.

My administration stands ready to meet the global energy challenge, but the future both near and long term, must have coal in its equation. With President Obama's recent speech on climate change, we are mindful of the increased efforts, policy and otherwise, to restrict coal as a domestic fossil fuel source to generate electricity (with domestic coal produced electricity being reduced from approximately 50 percent to 40 percent in less than a decade). Our coal partners and our coal economist consistently remind us of the difficult environment for domestic coal production.

Despite the challenging environment, the Crow Nation has intensified its efforts to develop its coal resources to diversify its revenue streams. With respect to the Absaloka Mine, the Crow Tribal Legislature approved and I executed an agreement with WRI in March 2013 to expand its mining operations with a lease of an estimated 145 million tons of Rosebud McKay coal resources located adjacent to the Mine. This new lease will provide the Crow Nation with long-term revenues and employment and sustain the operations of the Mine past 2020. Even though this lease is pending before the BIA, we expect approval in the near future.

Similarly, in June, the BIA approved another tribally approved agreement with Cloud Peak Energy ("CPE") to explore, with options to lease, and develop an estimated 1.4 billion tons of Crow coal in the southeastern corner of the Crow Reservation. This long term agreement will also provide much need revenue to the Crow Nation, increase employment opportunities for Crow and Montana citizens, and diversify tribal revenue sources. However, the CPE project—named Big Metal (www.bigmetalcoal.com), is dependent on coal exports through the Northwest.

As such, I have directed my administration to look to coal exports as an alternative, given the increased coal demand in China, India and other countries. Over the past 6 months, I have sent three Crow delegations to the Northwest to meet and work with other tribal nations, investigate proposed coal export projects, and then to analyze and follow-up on these recent diplomatic discussions and fact-finding trips about possible relationships involving Crow coal, transportation and export terminal partners. During the last two trips, which I attended, I invited present and potential project partners as well as tribal leaders from Northwest tribal nations to visit my homeland to see first-hand Crow coal development and listen to their concerns.

Last month, I hosted a Crow Nation Coal Summit to answer questions about coal transportation issues (coal dust and train traffic), jobs (viewing Crow citizens at the Absaloka Mine), reclamation and the potential for future export development. We worked with our coal partners to provide mine tours of Spring Creek and Absaloka, to provide coal transportation information from Burlington Northern Santa Fe Railway Company representatives, and to have coal export terminal questions answered by representatives from SSA Marine (the project developers of the proposed Gateway Pacific Terminal coal export facility).

We have been made aware of local concerns regarding coal export projects expressed by citizens in the Northwest. That is the reason I brought industry, tribal nations and local citizens together to inform, educate, and work with each other to address any substantive issues. I will continue to work with everyone and respect tribal treaty rights and local concerns. However, I strongly feel that non-governmental organizations cannot and should not tell me to leave Crow coal in the ground; I was elected to provide basic services and jobs to my citizens and I will steadfastly and responsibly pursue Crow coal development to achieve my vision for the Crow people.

Finally, with a substantial Crow coal resource, I would like to continue the late Chairman Venne's vision to have the Crow Nation, with a project partner, build the first coal-to-liquids ("CTL") plant in North America with capture and storage of carbon. In fact, in 2008, the Crow Nation and our partner signed a project agreement to develop Many Stars, a planned coal-to-liquids project that sought to produce up to 50,000 barrels or more per day of ultra-clean jet and diesel fuel. The vision was to contract with the U.S. Air Force to supply clean diesel fuel that would meaningfully reduce carbon emissions throughout the world, reduce America's dependence on foreign oil, and provide a safe and secure domestic fuel supply to our national defense.

Unfortunately, the economic recession hit and an uncertain national energy policy made it difficult for the proposed project to proceed. We remain hopeful that the Administration can and will support clean coal, that technology advancements can create a smaller scale project, and that we will have a new development partner to take the risk with the Crow Nation. Needless to say, I am pursuing an all-of-the-

above energy development strategy (hydropower, wind, coal export and CTL) but I will need some help in order to effectuate my energy vision.

IV. CHALLENGES AND THE NEED TO LEVEL THE PLAYING FIELD

A. Challenges

Despite the fact that the Crow Nation has a substantial coal resource and even though we have a clear coal development vision, numerous practical problems consistently arise with each proposed project. The lease approval and development process is burdensome, slow, and complicated. Federal regulatory requirements for appraisals, surface access approvals and environmental assessments to conduct exploration within the Reservation often times create significant delays. Further, incomplete land records (in some cases BIA records for surface and mineral ownership are erroneous, missing and out of date), inadequate BIA staffing (e.g., the BIA area office in Billings, Montana, has one primary individual to work on environmental issues for eight tribal nations), and surface land fractionation (described above) create multiple examples of uncertainty that discourage investment and prevent project development.

It is extremely difficult to compete with off-reservation development because of these problems. Many companies view these additional regulatory and practical burdens as cost prohibitive, even with the best efforts of particular BIA employees and the Crow Nation. Based on our experience in working with current and prospective coal partners, we strongly recommend a two-prong approach to leveling the playing field for energy development in Crow country: (i) eliminate regulatory obstacles (we provided written support for H.R. 1548, Native American Energy Act); and (ii) permanently extend existing tax incentives to offset the extra development burdens.

B. Leveling the Playing Field

In general, two existing Federal tax incentives encourage investment and development in Indian country but their utility is diminished by their short term nature. Accelerated depreciation and the Indian employment tax credit are two examples of such incentives (the latter needs some modifications to enhance its effectiveness). These incentives, originally enacted in the 1993 Budget Reconciliation Act, have been extended year-to-year in the tax extenders package and, as such, generally are not relied upon by potential investors with large Indian energy projects because of the extended length of time (often 5–10 years for large coal projects) that development takes before the energy commodity is produced. The Crow Nation supports the permanent extension of these tax incentives, with modifications, but another more specific tax incentive is the most important for Crow coal development.

The Indian coal production tax credit (“ICPTC”), originally enacted in the 2005 Energy Policy Act, kept the Absaloka Mine open and competitive since 2006. This credit neutralized the threat of a potential mine closure and also continued WRI’s ability to provide critical employment and revenue for essential Crow governmental functions. Like the aforementioned tax incentives, it is set to expire on December 31, 2013, and has also been part of the tax extenders package.

In order to overcome all of the additional regulatory costs and land transaction issues described above, the Crow Nation seeks a permanent extension of ICPTC, with a few modifications. We would like for the ICPTC to be used against the alternative minimum tax, to extend the placed in service date to include the aforementioned projects, and to eliminate the unrelated person requirement in the original credit (to allow for a CTL project in the future). With these tax incentives made permanent, the Crow Nation can compete with others on a level playing field.

V. CONCLUSION

Today, the Crow Nation desires to develop its vast coal resources not only for itself, but for our energy partners, the surrounding communities and for the United States. By developing Crow coal via domestic markets, export terminals and coal conversion, we firmly believe we can help ourselves while simultaneously meeting national energy goals—achieving energy independence, securing a domestic supply of valuable energy, and reducing the country’s dependence on foreign oil. My administration has been very busy in working to develop our coal resources and to remove obstacles to successful development.

I simply desire for the Crow Nation to become self-sufficient by developing its own coal resources and to provide basic services for the health, hopes and future of the Crow people. With help from you—our historic treaty ally—in leveling the energy development playing field, we can achieve my vision and both benefit immensely.

Mr. Chairman and Committee members, thank you again for the opportunity to testify on Powder River Basin Coal Development before you today. I would be happy to answer any questions.

Mr. LAMBORN. OK, thank you for your testimony.
Mr. Coolidge?

**STATEMENT OF DAN COOLIDGE, CHAIRMAN, CAMPBELL
COUNTY COMMISSIONERS**

Mr. COOLIDGE. Good afternoon, Chairman Lamborn and members of the Subcommittee. Thank you for the opportunity to appear before you today. I am Dan Coolidge, Chairman of the Campbell County Commission.

Campbell County is located in northeastern Wyoming, and sits in the heart of the Powder River Basin. The citizens at Campbell County and the State of Wyoming have been major beneficiaries of surface coal mining since its inception in the Powder River Basin in the mid-1970s. We believe the anti-coal stance of the current Administration could be devastating to our local and State economy, as well as negatively affect the fragile economic recovery of our Nation.

Wyoming is the largest producer of coal in the United States. Over 80 coal trains per day leave the Powder River Basin. Coal production from Campbell County has more than doubled since 1994, and since 2006 PRB coal production has averaged approximately 425 million tons per year. The majority of PRB coal is exported out of State to power plants in 34 States. Approximately 28 percent of the coal used for U.S. electricity generation in 2012 came from the Powder River Basin. This is equivalent to approximately 95 nuclear power plants, 175 Hoover Dams, or 200,000 wind turbines. Coal provides electricity for hundreds of thousands of American homes, hospitals, and schools.

The PRB coal mines have a long history of safe and environmentally responsible operation. Safety is the primary focus of mines in the PRB. And consequently, their industry enjoys the second-best safety record in Wyoming, behind the finance and insurance industry.

In Wyoming, we have our cake and eat it, too. We have an abundance of natural resources within our State's borders. Yet, at the same time, we have world-class wildlife, breathtaking views of our open spaces, and clean air and water. In Wyoming, we reject the notion that energy policy should be an either-or discussion. We can have both. We do have both. And we will continue to have a robust energy economy, as well as a beautiful, clean environment. The mines operate with the utmost respect for the environment. The reclamation of the mines has been highly successful. Reclaimed lands are superior to the native topography.

Locally, the coal industry is the largest single contributor to Campbell County's revenue stream. Ad valorem taxes on coal production account for approximately 64 percent of the total assessed value of Campbell County. The personal property tax, as well as the sales tax generated by mine-related purchases is substantial.

It cannot be understated what a significant impact the mining industry has on the ability of local governments to keep pace with

infrastructure and core service needs within our community. The significant revenues received from the mineral industry also afford local governments the ability to provide quality-of-life facilities for our citizens. Furthermore, local governments are able to provide substantial funding to human and social service organizations for those less fortunate in our communities.

Through the coal lease bonus program, the State has provided desperately needed school facilities for school districts. The severance tax money, in addition to the State share of mineral royalties, flows through the State to local governments to assist with the cost of providing essential governmental services.

While the PRB is a great asset for Wyoming, it is also a catalyst for economic growth in other States. Low-cost electricity in the Heartland of America starts in Campbell County, Wyoming. The 10 States that use the highest percentage of coal for electricity enjoy rates that are approximately 50 percent less than the cost of States that rely on other fuels. This cost-effective resource is a key element in driving U.S. industrial competitiveness, and maintaining low electricity prices for residential and commercial consumers. In 2008, PRB coal producers acquired almost \$2.3 billion of industrial supplies from over 47 different States.

Finally, a point I am sure that is not lost to Congress, is the tremendous financial benefit to the Federal Government in lease bonuses, Federal royalties, and income taxes that Wyoming coal resources provide to all Americans. In an economic climate of declining revenue and Federal sequestration, coal offers a way for the Federal Government to make money.

The biggest challenge we face is the attack by the current Administration on the lifeblood of our community, our State, and every family in this country that will have to make the difficult decision of feeding their family or paying exorbitant electricity charges because coal is no longer a part of our national energy policy.

If the concerns with coal mining are truly environmentally based, we should do everything we can to continue to effectively utilize the vast and available resources of PRB coal, clean coal. Despite some public sentiment, coal will continue to be an abundant, accessible, and affordable energy source far into the future. There are simply no other alternative energy sources that can replace it. Make no mistake. We need to continue to pursue and develop alternative energy sources. But in the meantime, we need to take care of an industry that will continue to provide affordable power to our Nation.

Americans have an expectation that when they flip on a light switch or turn up the heat, electricity will be there. If coal is not part of our national energy portfolio, that simple expectation is in jeopardy. Thank you.

[The prepared statement of Mr. Coolidge follows:]

PREPARED STATEMENT OF DAN COOLIDGE, CHAIRMAN, CAMPBELL COUNTY
COMMISSIONERS

Chairman Lamborn and members of the Subcommittee, thank you for the opportunity to appear before you today. I am the Chairman of the Campbell County Commissioners. Campbell County is located in northeastern Wyoming and sits in the heart of the Powder River Basin, a mineral rich geologic area. The board of county

commissioners is responsible for conducting the business of the State and providing core infrastructure and services to citizens at the local level.

The citizens of Campbell County and the State of Wyoming have been major beneficiaries of surface coal mining since its inception in the Powder River Basin (hereinafter “PRB”) in the mid 1970s. We believe the anti-coal stance of the current administration could be devastating to our local and State economy, as well as negatively affect the fragile economic recovery of our Nation.

BACKGROUND AND HISTORY OF PRB COAL PRODUCTION

Wyoming is the largest producer of coal in the United States. The PRB has 13 surface mines and up to 100 foot thick coal seams. Nine of the Nation’s 10 largest coal mines operate in the PRB. Coal is mined at the rate of 12 tons per second in the PRB and over 80 coal trains per day leave the PRB loaded with coal to destinations outside of Wyoming.

Coal production from the PRB in Campbell County has more than doubled since 1994. Since 2006, PRB coal production has averaged approximately 425 million tons per year. At these current production levels, the PRB could support over 400 years of continuous production. The infrastructure at our mines is in place not only to support these production levels, but also to increase it. Most of the coal mined in the PRB is burned as “steam” coal used in power plants to produce steam for generating electricity.

DISTRIBUTION OF PRB COAL—POWERING OUR NATION

The majority of PRB coal is exported out of State to power plants in 34 States. In 2011, Texas was the top consumer, followed by Illinois, Mississippi, Iowa, and Oklahoma, respectively. Of the 20 States that consume over 8 million tons, all but one have electrical rates below the national average. Approximately 28 percent of the coal used for U.S. electricity generation in 2012 came from the PRB. This is equivalent to approximately 95 nuclear plants, 175 Hoover Dams or 200,000 wind turbines. As an example, Wyoming’s North Antelope Rochelle and Black Thunder coal mines accounted for 20 percent of the United States’ coal production by tons in 2012. In 2012, Wyoming mines produced 401 million tons, with a total value of approximately \$4 billion.

By utilizing the coal resources that currently exist in Wyoming, our country can strive toward energy independence for North America. Coal provides electricity for hundreds of thousands of American homes, hospitals, roadways and schools. The U.S. Geological Survey estimates that PRB recoverable coal reserves amount to 127 billion tons in 2010.

MINING COAL RESPONSIBLY AND RECLAMATION

The PRB coal mines have a long history of safe and environmentally responsible operation. Safety is the primary focus of mines in the PRB; and, consequently, their industry enjoys the second best safety record in Wyoming, behind the finance and insurance industry.

In Wyoming, we have “our cake and eat it too”. We have an abundance of natural resources within our State’s borders, including bentonite, coal, oil, gas, uranium, rare earths and timber. Yet, at the same time, we have world class wildlife, breathtaking views of our open spaces and clean air and water. In Wyoming, we reject the notion that energy policy should be an “either/or” discussion. We can have both, we do have both, and we will continue to have a robust energy economy, as well as a beautiful, clean environment. This is what is important to the citizens of Campbell County, as well as the rest of Wyoming.

The mines operate with the utmost respect for the environment. The reclamation of the mines has been successful, reclaimed lands are superior to the native topography. All lands that are mined are reclaimed to original contour, grade and revegetated with natural grasses, shrubs and plants. Reclaimed lands provide premier habitat for domestic grazing, as well as forage for wildlife. The Land Quality Division of the Wyoming Department of Environmental Quality provides enforcement and administration for the State and Federal statutes regarding coal mining and regulations in Wyoming.

PRB surface mining is a high-tech industry which utilizes computerized technology, modern equipment, a highly skilled workforce and strict adherence to safety measures. The quality of coal mined in the PRB is considered “clean coal”. This is because PRB coal is a low sulfur and ash subbituminous coal resource. The organic structure of Wyoming coal is what makes it so desirable on the open market.

ECONOMIC BENEFITS OF PRB COAL

Locally, the coal industry is the largest single contributor to Campbell County's revenue stream. Attached is an exhibit which outlines the 6 year history of the assessed valuation of Campbell County. As evidenced by the exhibit, the ad valorem taxes on coal production account for approximately 64 percent of the total assessed value of Campbell County. In addition, the personal property tax on facilities associated with mining is a significant contributor, and sales tax revenue generated on equipment and services purchased by the mining industry is substantial.

The unemployment rate in Campbell County is approximately 4.6 percent, which is far lower than the 7.6 percent as reported in May 2013. The mining industry is the largest employer in Campbell County. Direct employment in the area mines is approximately 5,400 people. This constitutes a large percentage in a county with a population of 46,000 and a State with a population of only 550,000. That does not account for the other jobs in service sectors directly related to mining and secondary jobs in retail and hospitality. Furthermore, a majority of PRB mine employees have never belonged to labor unions, which is an excellent reflection of the working conditions and compensation provided. A low unemployment rate equates to Campbell County citizens having more disposable income to spend locally, further turning over dollars into our local economy.

It cannot be understated what a significant impact the mining industry has on the ability of local governments to keep pace with infrastructure and core service needs within our community. The significant revenues received from the mineral industry also afford local governments the ability to provide quality of life facilities for our citizens. Over the last 5 years, Campbell County, along with other local government partners, completed construction of a \$52 million recreation center, a \$44 million multi events center, a \$38 million technical education center for higher learning, as well as many other significant projects. The county has also been able to set aside significant cash reserves for the needs of future generations. Furthermore, local governments are able to provide substantial funding to human and social service organizations for those less fortunate in our communities. Finally, a benefit which cannot be ignored is the role the mining industry and its employees play as corporate citizens. The mining companies donate money to local charities and the employees donate countless hours of volunteer time which makes our community a better place to live. All this is accomplished with revenues directly attributable to the mineral industry.

The State of Wyoming is a large benefactor of coal mining, as well. Through the coal lease bonus program, the state has provided desperately needed school facilities for school districts across the State. These dollars replace aging schools, as well as provide new schools for districts experiencing student population growth. Since 1992, Wyoming has received over \$2.6 billion in coal bid lease revenue. More than \$2 billion of this money has gone to school capital construction. An additional \$2+ billion has gone into the Federal coffers, as well. The severance tax money, in addition to the State's share of mineral royalties, flows through the State to local governments to assist with the costs of providing essential governmental services. Wyoming has the lowest price for electricity in the Nation, averaging 6.2 cents per kilowatt hour. Wyoming citizens enjoy low energy costs due to the abundance of natural resources that we have under our feet. In 2011, the spot price for all Wyoming coal sales averaged \$13.56 per ton. For the 430 million tons of coal produced in Wyoming in 2011, the value was close to \$6 billion. Consequently, Wyoming has no State income tax, which is largely due to the contributions made by the energy industry, the backbone of our State's economy.

While the PRB is a great asset for Wyoming, it is also a catalyst for economic growth in other States. Low-cost electricity in the heartland of America starts in Campbell County, Wyoming. The 10 States that use the highest percentage of coal for electricity enjoy rates that are approximately 50 percent less than the cost of States that rely on other fuels. This cost-effective resource is a key element in driving U.S. industrial competitiveness and maintaining low electricity prices for residential and commercial consumers. In 2008, PRB coal producers acquired almost \$2.3 billion of industrial supplies from over 47 different States.

Finally, a point I'm sure that is not lost to Congress is the tremendous financial benefit to the Federal Government in lease bonuses, Federal royalties and income taxes that Wyoming coal resources provide to all Americans. In an economic climate of declining revenue and Federal sequestration, coal offers a way for the Federal Government to receive revenues.

CHALLENGES OF MINING PRB COAL

The coal industry itself does not present any challenges to local governments. Perhaps the only challenge is keeping up with infrastructure needs associated with expanding mineral development. The proposed Road and Bridge budget alone for Campbell County fiscal year 2013/2014 is in excess of \$7.6 million dollars for the year. This is a conscious decision to allocate resources to maintain governmental infrastructure for the public, as well as industrial users. Fortunately, the revenue generated from natural resources more than accommodates these expenses.

The biggest challenge we face is the attack by the current administration on the life blood of our community, our State and every family in this country that will have to make the difficult decision of feeding their family or paying exorbitant electricity charges because coal is no longer part of our national energy policy. Mining coal is part of the custom and culture of Wyoming, with the first mines opening in 1876 and having continuous production since that time. Multiple generations of Wyoming citizens have worked in the mines, paid for a college education or purchased a home with their wages from mining jobs. Coal miners are part of our State's identity, and under the current administration, this way of life remains under attack, not only in Wyoming, but also in other States.

CONCLUSION

If the concerns with coal mining are truly environmentally based, we should do everything we can to continue to effectively utilize the vast and available reserves of PRB coal, "clean coal". PRB coal is low sulfur and clean burning. Despite some public sentiment, coal will continue to be an abundant, accessible and affordable energy source far into the future. There are simply no other alternative energy sources that can replace it. Make no mistake, we need to continue to pursue and develop alternative energy sources, but in the meantime, we need to take care of an industry that will continue to provide affordable power to our Nation, other developing nations, as well as future generations. Americans have an expectation that when they flip a light switch on or turn up the heat, electricity will be there. If coal is not part of our national energy portfolio, that simple expectation is in jeopardy.

Thank you.

Assessed Value—Past 6 Years

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | INC/DEC | CHANGE (Percent) |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|---------------------|
| PROPERTY: | | | | | | | | |
| COAL | \$2,852,086,593 | \$3,321,045,794 | \$3,369,006,127 | \$3,527,937,616 | \$3,733,390,428 | \$3,542,732,502 | -\$190,657,926 | -5.11 |
| OIL | \$475,025,590 | \$652,781,390 | \$364,821,149 | \$495,470,897 | \$656,493,579 | \$717,200,722 | \$60,707,143 | 9.25 |
| GAS | \$654,460,917 | \$844,766,895 | \$340,034,433 | 431,608,362 | \$422,726,277 | \$253,122,788 | -\$169,603,489 | -40.12 |
| URANIUM | \$0 | \$0 | \$0 | \$0 | \$6,691,844 | \$7,225,763 | \$533,919 | 7.98 |
| MISC MINERALS | \$5,002,535 | \$5,865,430 | \$5,854,400 | \$3,781,691 | \$5,292,590 | \$4,995,279 | -\$297,311 | -5.62 |
| PUBLIC UTILITIES | \$38,672,113 | \$55,092,824 | \$63,598,959 | \$60,099,469 | \$66,634,746 | \$64,741,256 | -\$1,893,490 | -2.84 |
| TELEPHONE | \$3,207,239 | \$3,321,282 | \$2,959,862 | \$2,176,744 | \$1,814,928 | \$1,940,137 | \$125,209 | 6.90 |
| PIPELINES | \$10,500,816 | \$10,208,059 | \$9,163,147 | \$25,568,134 | \$24,559,683 | \$19,979,674 | -\$4,580,009 | -18.65 |
| RA'S | \$21,412,547 | \$26,253,183 | \$67,712,978 | \$71,789,273 | \$64,416,939 | \$71,083,420 | \$6,666,481 | 10.35 |
| RAILROADS | \$24,173,898 | \$29,132,239 | \$30,590,127 | \$32,934,812 | \$48,929,508 | \$47,518,648 | -\$1,410,860 | -2.88 |
| CABLE SAT CO. | \$817,421 | \$767,580 | \$784,789 | \$1,397,674 | \$1,240,510 | \$729,650 | -\$510,860 | -41.18 |
| LOCAL | \$637,462,775 | \$761,319,842 | \$762,140,943 | \$772,800,535 | \$806,874,459 | \$828,167,709 | \$21,293,250 | 2.64 |
| TOTAL | \$4,722,822,444 | \$5,710,554,518 | \$5,016,666,914 | \$5,425,565,207 | \$5,839,065,491 | \$5,559,437,548 | -\$279,627,943 | -4.79 |
| PRODUCTION: | | | | | | | | |
| COAL (TONS) | 411,822,169 | 428,374,712 | 393,061,417 | 401,618,421 | 401,648,463 | 360,224,379 | -41,424,084 | -10.31 |
| OIL (BBLS) | 8,696,940 | 8,086,536 | 7,365,680 | 7,789,810 | 8,515,388 | 9,721,400 | 1,206,012 | 14.16 |
| GAS (MCF) | 177,304,330 | 165,298,621 | 140,958,111 | 147,050,230 | 137,093,441 | 116,465,363 | -20,628,078 | -15.05 |
| URANIUM (TON) | 0 | 0 | 0 | 0 | 214,877 | 254,564 | 39,687 | 18.47 |
| SAND & GRAVE | 0 | 0 | 0 | 0 | 3,482,942 | 2,921,971 | -560,971 | -16.11 |
| UNIT VALUE: | | | | | | | | |
| COAL | \$6.93 | \$7.75 | \$8.57 | \$8.78 | \$9.30 | \$9.83 | \$0.53 | 5.70 |
| OIL | \$54.62 | \$80.72 | \$49.53 | \$63.61 | \$77.09 | \$73.78 | -\$3.31 | -4.29 |
| GAS | \$3.69 | \$5.11 | \$2.41 | \$2.94 | \$3.08 | \$2.17 | -\$0.91 | -29.55 |
| URANIUM | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$31.14 | \$28.38 | -\$2.76 | -8.86 |
| SAND & GRAVEL | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$1.52 | \$1.71 | \$0.19 | 12.50 |

Mr. LAMBORN. Thank you for your testimony.
Ms. Hutzler?

**STATEMENT OF MARY J. HUTZLER, DISTINGUISHED SENIOR
FELLOW, INSTITUTE FOR ENERGY RESEARCH**

Ms. HUTZLER. Chairman Lamborn and members of the Subcommittee, thank you for the invitation to testify. Coal is the world's most abundant fossil fuel. America's known coal reserves, 261 billion tons, constitute 27 percent of the entire world's coal reserves. We are the Saudi Arabia of coal, with more than 1.5 times the reserves of our nearest competitor, Russia, and more than twice the reserves of China.

If you include our in-place resources, the United States has enough coal to last over 9,000 years at today's consumption rate. The prospect for utilizing this vast domestic resource should be great, from providing low-cost electricity to nearly 40 percent of American homes and businesses to innovative coal-to-liquid fuels technology that can provide gasoline, diesel fuel, and jet fuel. We have yet to experience the full benefit of America's coal reserves.

Some have speculated that coal's decline in the United States reflects a global trend away from this energy-dense fuel source. The facts, however, are just the opposite. The International Energy Agency projects that coal will surpass oil as the world's largest energy source by 2017. While U.S. coal production consumption have gone down in recent years, coal's share of world energy consumption has increased to almost 30 percent in 2012, the highest since 1970. China's coal use alone has grown by over 40 percent in the last decade, and presently constitutes almost 70 percent of China's energy consumption.

Western European countries like Germany, which have implemented policies in the past to restrict the use of coal, are now realizing that such policies have handicapped economic development and failed to achieve the purported environmental benefits. The Germans are building coal-fired plants to replace retiring nuclear plants, and to back up intermittent renewable technologies. To fuel these plants, countries are looking to the United States, where coal exports were 17 percent higher in 2012 than in 2011. The Energy Information Administration projects that coal exports will continue at recent high levels, as the United States supplies our trade partners in China, the United Kingdom, South Korea, Brazil, and others.

Some of that supply will come from places like the Powder River Basin, which accounts for more than two-fifths of all coal mined in the United States. Yet, unlike other coal-rich areas of the United States, the Powder River Basin is almost entirely under Federal control. Only 1.5 percent of Federal unleased lands have been determined to be available for coal production under standard government lease terms. As a result, the American taxpayers are losing an immense benefit to the Federal treasury, and our overall economy. If we evaluated the entire amount of federally owned coal that could be leased in the lower 48 at average prices by coal type, the worth of that resource would be approximately \$22.5 trillion to the economy. These figures do not take into account the vast re-

sources in Alaska, which has more coal in place than the entire lower 48 States.

Many see coal's problems as environmental. Yet coal has made significant strides, environmentally. According to the EPA, since 1970 the total emissions of the 6 criteria pollutants have declined by 68 percent, even though our coal consumption has nearly doubled. Due to technological advances, coal-fired power plants are becoming even cleaner, and air quality is continuing to improve.

Despite these advances, the White House announced last month the new agenda to impose even further restrictions on the use of coal in the United States. These restrictions would require technology that is not currently commercially available. Some have labeled this plan the Industrial Counter-Revolution. In the end, jobs will suffer in nearly every sector, from mining to transportation to electric utilities.

Finally, some believe that low-cost natural gas has priced coal out of the market. However, production costs for coal-fired electricity in 2012 were slightly lower than that for natural gas. It should be noted that while natural gas prices are currently low, gas-directed rig activity is also low. This could impact future gas supplies, resulting in higher costs. Also, natural gas production in Federal lands, much like coal, is on a downturn.

Coal production on Federal and Indian lands is down 9 percent from its peak level in 2008. Fewer coal lease sales have taken place on Federal lands, on average, during this Administration than during the prior two Administrations. Yet coal revenues were the largest ever in fiscal year 2012.

Taking Asian and European markets as examples, U.S. policy-makers should consider the vast benefits our domestic coal resources can provide to our own economy, and adopt more sensible policies to harness this resource both responsibly and efficiently. A true all-of-the-above energy strategy cannot dismiss the tremendous benefit that U.S. coal offers to both our own Nation and the world.

Thank you for the opportunity to testify.

[The prepared statement of Ms. Hutzler follows:]

PREPARED STATEMENT OF MARY J. HUTZLER, DISTINGUISHED SENIOR FELLOW,
INSTITUTE FOR ENERGY RESEARCH

BACKGROUND

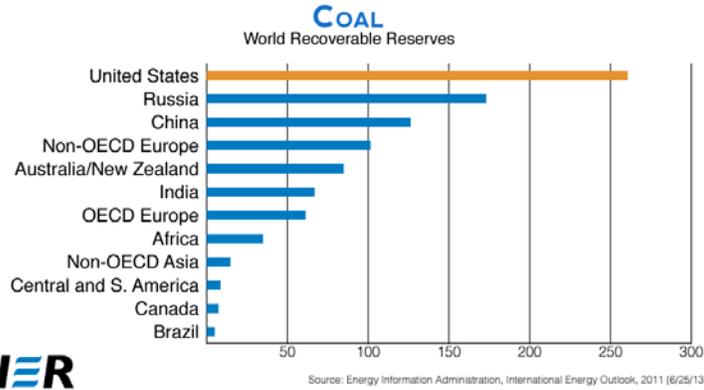
Coal is the world's most plentiful fossil fuel and is the most abundant fossil fuel produced in the United States. Over 90 percent of the coal consumed in the United States is used to generate electricity. Coal is also used as a basic industry source for making steel, cement and paper, and is used in other industries as well.

As the first concentrated energy source to be used by man, coal fueled the Industrial Revolution and lifted the burden of labor from the backs of men and animals. The Industrial Revolution was begun in England, the first nation to employ its coal resources to increase human productivity, in turn becoming the first economic and political superpower of the energy age.

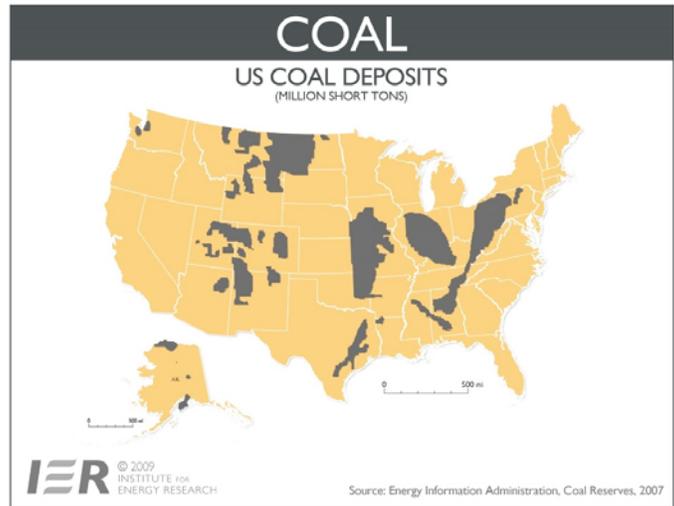
For over a century, coal served as the chief transportation energy source and fed the world's commerce with railroads and steamships. Its transformation from an abundant but useless rock into a valuable energy source created an explosion of intellectual creativity that changed the course of human events. Currently, coal is

used to meet almost 20 percent of America’s total energy demand and generate about 40 percent of all its electricity.¹

The United States has enough coal reserves to last at least another 250 years, with reserves that are over one-and-one-half times greater than our nearest competitor, Russia, and over twice that of China.² America’s known coal reserves, 261 billion tons, alone constitute 27 percent of the entire world’s coal reserves.



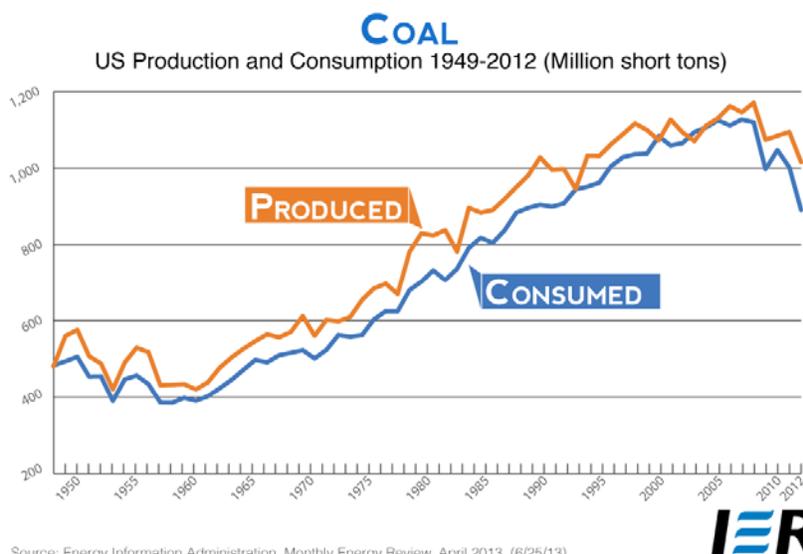
While known reserves are high, actual U.S. coal resources are much higher. “Reserves” represent coal that is readily evident as a result of ongoing mine operations, while “resources” include all those areas known to contain coal but have yet to be actually quantified by direct exposure due to the mining process. In-place U.S. coal resources (the entire estimated volume that is within the earth) totals 10 trillion short tons,³ and would last over 9,000 years at today’s consumption levels. Alaska is estimated to hold more coal than the entire lower 48 States. (While the EIA’s estimate of recoverable coal reserves in Alaska is 2.8 billion short tons,⁴ geological estimates by the U.S. Geological Survey put the in-place figure at over 6 trillion short tons.) The U.S. coal resources are clearly vast.



¹Energy Information Administration, Monthly Energy Review, April 2013, http://www.eia.doe.gov/emeu/mer/pdf/pages/sec7_5.pdf.
²Energy Information Administration, International Energy Statistics, <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=7&aid=6>.
³Department of the Interior, U.S. Geological Survey, <http://pubs.usgs.gov/dds/dds-077/>.
⁴Energy Information Administration, <http://www.eia.gov/coal/annual/pdf/table15.pdf>.

In addition to its pivotal role as an affordable source of electricity, coal can also be converted into liquid fuels—gasoline, diesel, and jet fuel—as well as into an alternative to liquid natural gas (LNG) for use in synthetic and industrial gases. South Africa currently produces much of its liquid fuel from coal, using a process pioneered and used by Germany prior to World War II. Many nations, including our own, are exploring methods by which coal can be utilized in cleaner forms.

American coal production is currently the second highest in the world (behind China),⁵ delivering 1.016 billion short tons in 2012.⁶ China produces over 3.8 billion short tons a year and still needs to import coal.⁷ While coal use has slightly decreased over the last few years in the United States due to low cost natural gas and government policies against coal use, its share of world energy consumption has increased to 29.9 percent in 2012, the highest since 1970.⁸



Source: Energy Information Administration, Monthly Energy Review, April 2013. (6/25/13)

China and Germany, for example, are ramping up coal-fired electricity generation. The most recent data from the Energy Information Administration show that China consumes nearly as much coal as the rest of the world combined.⁹ China's coal use has grown by 40 percent over the last decade. According to data from BP's 2013 Statistical Review of World Energy, coal constituted almost 70 percent of China's 2012 energy consumption.¹⁰

⁵Energy Information Administration, International Energy Statistics <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=7&aid=1>.

⁶Energy Information Administration, Monthly Energy Review, April 2013, http://www.eia.doe.gov/emeu/mer/pdf/pages/sec6_3.pdf.

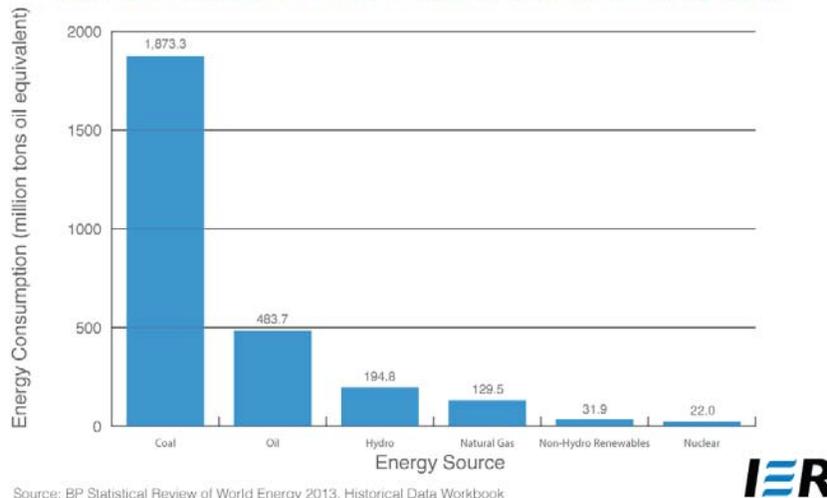
⁷Energy Information Administration, International Energy Statistics, <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=7&aid=1>.

⁸BP Statistical Review of World Energy 2013, <http://www.bp.com/en/global/corporate/about-bp/statistical-review-of-world-energy-2013.html>.

⁹Energy Information Administration, China consumes nearly as much coal as the rest of the world combined, January 29, 2013, <http://www.eia.gov/todayinenergy/detail.cfm?id=9751>.

¹⁰BP Statistical Review of World Energy 2013, <http://www.bp.com/en/global/corporate/about-bp/statistical-review-of-world-energy-2013.html>.

CHINESE PRIMARY ENERGY CONSUMPTION BY SOURCE, 2012



In Germany, new coal-fired plants with a capacity of 5.3 gigawatts of electricity will come online this year¹¹ to replace retiring nuclear plants and to back-up intermittent renewable technologies. In total, 10 new coal and lignite power plants are currently under construction in Germany.¹²

To fuel these overseas plants, countries are importing U.S. coal. U.S. coal exports totaled 125.7 million short tons in 2012, 17 percent higher than in 2011, and the highest level in the history of the United States.¹³ About 75 percent of U.S. coal exports were shipped to Europe and Asia in 2012. Their desirability is continuing. The EIA reports that U.S. coal exports in March 2013 totaled 13.6 million short tons, almost 0.9 million short tons above the previous monthly export peak in June 2012. EIA is projecting a third straight year of more than 100 million short tons of coal exports in 2013.¹⁴ The top five destinations of exported coal (in descending order) during March were China, Netherlands (a large transshipment point), United Kingdom, South Korea, and Brazil.¹⁵ China imports U.S. metallurgical coal that has a high Btu content that the country uses for steelmaking and steam coal for electric generation.

POWDER RIVER BASIN COAL

The Powder River Basin is located in southeast Montana and northeast Wyoming and is the largest coal-producing region in the Nation, accounting for over two-fifths of all coal mined in the United States. In 2011, the Powder River Basin produced 462.6 million short tons of subbituminous coal¹⁶ used mainly for electricity generation. Wyoming is the largest coal producing State, producing more coal than the next six largest coal producing States combined.

Powder River Basin coal seams are thick, facilitating surface mining and making extraction easy and efficient. As a result, the price of Powder River Basin coal at

¹¹ Bloomberg, Germany to Add Most Coal-fired Plants in Two Decades, IWR Says, February 27, 2013, <http://www.bloomberg.com/news/2013-02-27/germany-to-add-most-coal-fired-plants-in-two-decades-iwr-says.html>.

¹² UK government, Outlook for new coal-fired power stations in Germany, the Netherlands and Spain, May 7, 2013, <https://www.gov.uk/government/publications/povyry-report-to-decc-outlook-for-new-coal-fired-power-stations-in-germany-the-netherlands-and-spai>.

¹³ Energy Information Administration, Monthly Energy Review, http://www.eia.gov/totalenergy/data/monthly/pdf/sec6_3.pdf.

¹⁴ Energy Information Administration, Short-term Energy Outlook, <http://www.eia.gov/forecasts/steo/report/coal.cfm>.

¹⁵ Energy Information Administration, U.S. coal exports set monthly record, June 19, 2013, <http://www.eia.gov/todayinenergy/detail.cfm?id=11751>.

¹⁶ Energy Information Administration, Annual Coal Report, <http://www.eia.gov/coal/annual/pdf/acr.pdf>.

the mine mouth tends to be less than that of coal produced elsewhere in the Nation. Powder River Basin coal also has lower sulfur content than other coal varieties, making it attractive for electricity generators that must comply with strict EPA emission standards. More than 30 States receive coal from Wyoming, and several Midwestern and Southern States are highly or entirely dependent on Wyoming supply. Two railroads, operating the Powder River Basin Joint Line, move coal out of the Powder River Basin.

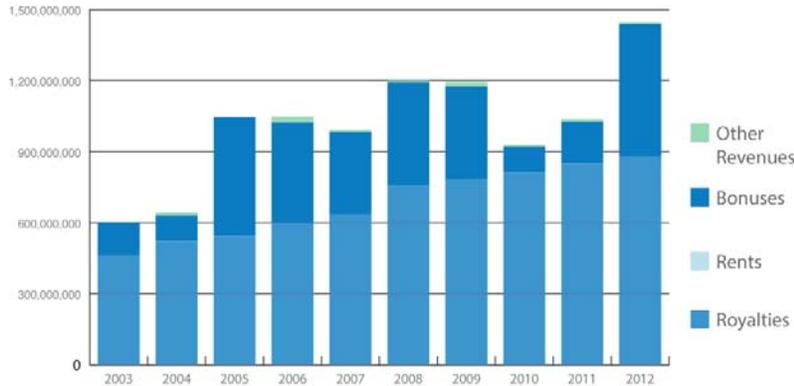
Almost all of the coal in the Powder River Basin is federally owned. Therefore, mine expansions require Federal and State approvals and are dependent on actions from the Department of the Interior’s Bureau of Land Management.

According to a multi-agency Government study required by the Energy Policy Act of 2005, the Federal Government owns 957 billion short tons of coal in the lower 48 States, of which about 550 billion short tons are available in the Powder River Basin.¹⁷ The Bureau of Land Management has under lease or lease application about another 11.6 billion short tons of coal in the Basin. The report found that approximately 1.5 percent of the Federal mineral estate assessed in the Powder River Basin—or 82,000 out of 5.4 million acres—is available for coal mining under standard lease terms, which is about 27 billion tons of Federal coal. Nearly 88 percent of the Federal mineral estate in the basin is available for mining with varying degrees of access restrictions and about 11 percent is prohibited from being leased by statute or because of land-use planning decisions. Clearly, there is plenty of public land yet to be leased.

COAL LEASE REVENUE STATISTICS

According to the Office of Natural Resources Revenue, revenues from coal leases were the highest ever in fiscal year 2012 at \$1.44 billion dollars, 20 percent higher than in 2008 when coal production on Federal and Indian lands hit its peak. Royalty payments (the amount companies pay to produce the coal) were 16 percent higher than in 2008 and bonuses (the amount companies pay to obtain the lease) were 29 percent higher.

FEDERAL COAL REVENUES BY TYPE AND FISCAL YEAR



Source: BLM Public Lands Statistics (7/5/13)

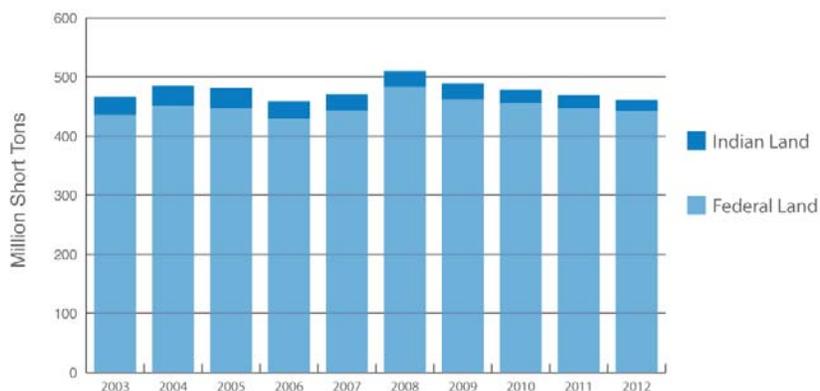


Coal production on Federal and Indian lands peaked at 509 million short tons in fiscal year 2008 and has been decreasing slightly each year since then. In fiscal year 2012, coal sales from production on Federal and Indian lands reached 461 million short tons, a 1.7-percent decrease from fiscal year 2011 and over a 9-percent de-

¹⁷ Bureau of Land Management, New Report Details Coal Resources on Federal Land In Powder River Basin, September 5, 2007, http://www.blm.gov/wo/st/en/info/newsroom/2007/sep-tember/NR_0709_03.html.

crease since the peak in fiscal year 2008.¹⁸ According to data from the Bureau of Land Management, there have been fewer coal lease sales on average under the Obama Administration than there have been under the George W. Bush and the Bill Clinton administrations.¹⁹

COAL PRODUCTION ON FEDERAL AND INDIAN LANDS FY 2003 - FY 2012



Source: BLM Public Lands Statistics (7/5/1)



If we evaluated the entire 957 billion short tons of federally owned lower 48 coal at an average price of \$15 per ton for the subbituminous Powder River Basin coal and \$35 per ton for the remainder of the Federal lower 48 coal,²⁰ the worth of federally owned coal in the lower 48 States to the economy would be \$22.5 trillion. Most of the coal resources in Alaska are deemed to be federally owned and are estimated to be 60 percent higher than those in the entire lower 48 States but are not included in these estimates. The United States, with the largest estimated coal resource base in the world, does not count Alaska's coal in its resources, *but Alaska has more coal in place than the entire lower 48 States.*

COAL'S ENVIRONMENTAL ISSUES

Until recently, coal had been used to produce 50 percent of the Nation's electricity, but is losing market share to natural gas and renewable energy as natural gas prices drop, renewable energy is mandated and subsidized, and new environmental regulations take effect. The Environmental Protection Agency (EPA) has produced regulations that essentially ban new coal plants and make its continued use in existing plants extremely costly. As a result, coal produced only 37 percent of our electricity in 2012.²¹

One of the biggest stated concerns about coal is air pollution. Coal produces more emissions than natural gas when burned. However, due to actions taken by industry and technological advances, our air quality is improving and new coal plants are cleaner than ever before. Pollution control technologies such as flue gas desulfurization, selective catalytic reducers, fabric filters, and dry sorbent injection have greatly reduced coal plant emissions. According to the National Energy Technology Laboratory (NETL), for example, a new pulverized-coal plant (operating at

¹⁸ Energy Information Administration, Sales of Fossil Fuels Produced from Federal and Indian Lands, FY 2003 Through FY 2012, May 2013, <http://www.eia.gov/analysis/requests/federalands/pdf/eia-federalandsales.pdf>.

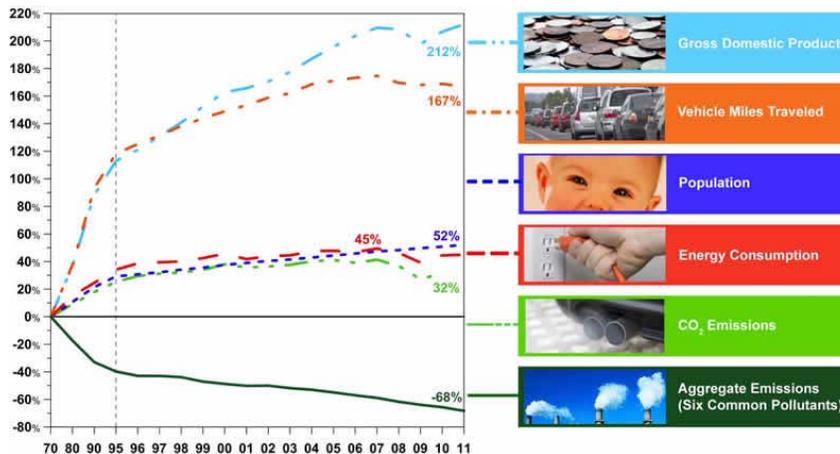
¹⁹ Bureau of Land Management, Total Federal Coal Leases in Effect, Total Acres Under Lease, and Lease Sales by Fiscal Year Since 1990, http://www.blm.gov/wo/st/en/prog/energy/coal_and_non-energy/coal_lease_table.html.

²⁰ Energy Information Administration, Annual Energy Review 2011, Coal Prices, http://www.eia.gov/totalenergy/data/annual/pdf/sec7_21.pdf.

²¹ Energy Information Administration, Monthly Energy Review, http://www.eia.gov/totalenergy/data/monthly/pdf/sec7_5.pdf.

lower, “subcritical” temperatures and pressures) reduces the emission of nitrogen oxides (NO_x) by 86 percent, sulfur dioxide (SO₂) by 98 percent, and particulate matter by 99.8 percent, as compared with a similar plant having no pollution controls.²²

These advances in technology have enabled large improvements in air quality. Since 1970, the total emissions of the six criteria pollutants have declined by 68 percent, even though energy consumption has increased by 45 percent, vehicle miles traveled have increased by 167 percent, and the economy has grown by 212 percent.²³ (The “criteria pollutants” are carbon monoxide, lead, sulfur dioxide, nitrogen oxides, ground-level ozone, and particulate matter.) The following chart from EPA shows the increase in economic measures compared to the decrease in pollution emissions.²⁴



As technology continues to advance, coal-fired power plants will become even cleaner and air quality will continue to improve. In fact, as the *New York Times* has reported, China is actually constructing some coal plants that are cleaner than those allowed to be built in the United States.²⁵ An irony of our current regulatory policy may be that China will ultimately become the world’s supplier of the most advanced clean coal plants, despite the U.S. coal resource base which dwarfs their own.

Although coal produces relatively inexpensive energy, many activist groups adamantly oppose coal mining and coal-fired power plants. The Sierra Club, for example, has worked particularly hard to stop coal-fired power plants. They claim that they have prevented 150 new coal-fired power plants from being built.²⁶

Coal mines, especially in Appalachia, are coming under increasing fire from environmental interest groups and the Obama Administration. The EPA revoked a clean water permit that the Army Corps of Engineers had previously awarded, despite the fact that, according to the Army Corps, the permit complies with West Virginia State water law and the Federal Clean Water Act.²⁷ The problem, according to EPA, is that granting the permit would lead to changes in the conductivity (or salinity)

²² Email from J. Kukielka, NETL to Mary Hutzler, Institute for Energy Research, January 9, 2009. See also Institute for Energy Research, The Facts About Air Quality and Coal-Fired Power Plants, <http://www.instituteforenergyresearch.org/2009/06/01/the-facts-about-air-quality-and-coal-fired-power-plants/>.

²³ Environmental Protection Agency, Air Quality Trends, January 5, 2012, <http://www.epa.gov/airtrends/aqtrends.html>.

²⁴ Environmental Protection Agency, Air Quality Trends, <http://www.epa.gov/airtrends/aqtrends.html>. The specific graphic is available here: <http://www.epa.gov/airtrends/images/comparison70.jpg>.

²⁵ *New York Times*, China Outpaces U.S. in Cleaner Coal-Fired Plants, May 10, 2009, http://www.nytimes.com/2009/05/11/world/asia/11coal.html?_r=2&.

²⁶ Sierra Club, 150 Coal Plants Unplugged, <http://www.sierraclub.org/coal/150plants/> Also, see U.S. Chamber of Commerce, Project, No Project, <http://www.projectnoproject.com/category/project/coal/>.

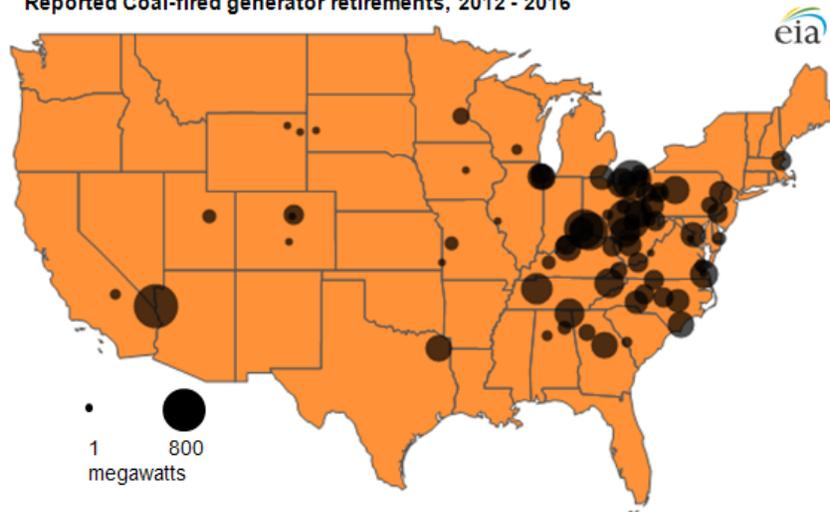
²⁷ *Washington Post*, Obama Administration cracks down on mountaintop mining, January 13, 2011, <http://www.washingtonpost.com/wp-dyn/content/article/2011/01/13/AR2011011307095.html>.

of the water that might be detrimental to mayflies, stoneflies, and caddis flies.²⁸ In other words, EPA denied the permit, not because of impacts on human health, but potential impacts on mayflies.

The EPA has promulgated new regulations that target mercury from coal-fired power plants (the Mercury and Air Toxic Standards), which many call Utility MACT because the rule requires “Maximum Achievable Control Technology” for mercury at coal-fired power plants.²⁹ These technologies must be installed over a tight 3-year period between 2012 and 2015, raising the cost of generating power from existing coal-fired plants where the economics make sense to install the technology, or forcing those plants to retire or to convert to natural gas. The National Economic Research Associates found compliance costs to be \$21 billion per year and lost jobs to amount to 183,000 per year. Because the increased costs will be passed to consumers through higher electricity rates, businesses will be forced to reduce jobs as well. Studies project that retail electricity prices will increase between 10 and 20 percent in most of the country and over 20 percent in the coal-dependent States in the Midwest.³⁰

EIA announced that plant owners and operators expect to retire about 27 gigawatts of coal-fired capacity by 2016—four times the 6.5 gigawatts of capacity retired between 2007 and 2011 mostly because of the new regulations imposed by the EPA. In 2012, electric generators were expected to retire 9 gigawatts of coal-fired capacity, the largest amount of retirements in a single year in America’s history. The 27 gigawatts of retiring capacity is 8.5 percent of total coal-fired capacity (318 gigawatts). The 2012 record retirements are expected to be exceeded in 2015 when nearly 10 gigawatts of coal-fired capacity are expected to retire.³¹ Most of the units retiring are located in the Mid-Atlantic, Ohio River Valley, and Southeastern United States as shown in the map below.

Reported Coal-fired generator retirements, 2012 - 2016



EIA’s numbers are based on current utility expectations. The Edison Electric Institute expects a larger number of forced retirements—about 48 gigawatts of coal units at 231 plants—between 2010 and 2022, or about 15 percent of the coal fleet.³²

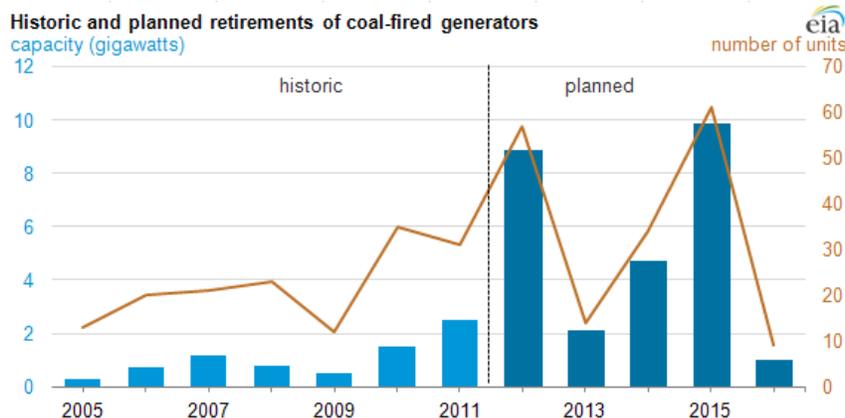
²⁸ Environmental Protection Agency, Final Determination of the U.S. Environmental Protection Agency Pursuant to §404(c) of the Clean Water Act Concerning the Spruce No. 1 Mine, Logan County, West Virginia, http://water.epa.gov/lawsregs/guidance/cwa/dredgdms/upload/Spruce_No-1_Mine_Final_Determination_011311_signed.pdf.

²⁹ Environmental Protection Agency, <http://www.epa.gov/mats/>.

³⁰ Washington Times, Chance to block Obama’s war on coal, June 19, 2012, <http://www.washingtontimes.com/news/2012/jun/19/chance-to-block-obamas-war-on-coal/>.

³¹ Energy Information Administration, 27 gigawatts of coal-fired capacity to retire over next 5 years, <http://www.eia.gov/todayinenergy/detail.cfm?id=7290>.

³² Politico, Who is killing the coal-fired power plant?, December 6, 2011, http://www.politico.com/news/stories/1211/69922_Page2.html.



Further, pending greenhouse gas regulations will require all new coal-fired plants to reduce their greenhouse gas emissions even though there is no cost effective way to do so. This is essentially a ban on new coal-fired plants because the technology does not exist commercially for them to meet natural gas carbon dioxide levels that are required by the EPA regulation.³³

Most recently, the President's Climate Change Action Plan that he outlined in a speech at Georgetown University on June 25 includes reducing carbon dioxide emissions at existing coal-fired power plants as well as at new plants. According to his action plan, "President Obama is issuing a Presidential Memorandum directing the Environmental Protection Agency to work expeditiously to complete carbon pollution standards for both new and existing power plants."³⁴ Many have indicated that these policies represent a "war on coal".

Regulating carbon dioxide emissions for coal-fired plants will force mass coal plant retirements, causing unemployment at coal-fired power plants and coal mines. According to a report from the United Mine Workers of America, job losses associated with the closure of EPA-targeted coal units (due to Utility MACT and tighter greenhouse gas standards) could amount to more than 50,000 direct jobs in the coal, utility and rail industries, and an indirect job loss figure exceeding 250,000.

Some have suggested that these closures are mainly due to the low price of natural gas made possible through shale gas discoveries. Regardless, it would be prudent for policy makers and analysts to consider the consequences of removing one of the major three sources of electrical generation from our fuel mix for electricity. Currently our electrical generation mix is largely coal, natural gas and nuclear power. While natural gas prices are currently low, gas-directed rig activity is also very low, which could have an impact on supplies in the out years. Further, the Wall Street Journal reported on January 29 that pressure is increasing to shutter nuclear power plants.³⁵

If the United States decides that it can provide the vast majority of its electricity from natural gas, it must assure that those supplies will not be threatened by Government actions, including the federalization of hydraulic fracturing regulation or other attempts to require Federal permission to drill natural gas wells, as many have advocated. The consequences of skyrocketing electricity prices brought on by bad public policies will only exacerbate the economic ills our Nation faces going forward. Members of Congress should be concerned about a policy that seeks to put all of our energy eggs in one basket.

CONCLUSION

The United States has a vast amount of coal resources; its coal reserves are larger than any other country in the world. While the world is using coal for almost 30

³³Technology Review, Will Carbon Capture Be Ready On Time?, June 29, 2012, <http://www.technologyreview.com/news/428355/will-carbon-capture-be-ready-on-time/?ref=rss>.

³⁴The White House, The President's Climate Action Plan, June 2013, <http://www.whitehouse.gov/share/climate-action-plan>.

³⁵Wall Street Journal, Can Gas Undo Nuclear Power?, January 29, 2013, <http://professional.wsj.com/article/SB20001424127887323644904578272111885235812.html>.

percent of its energy consumption needs, the United States' coal consumption was at just 18 percent of its energy demand last year. Low natural gas prices due to hydraulic fracturing and the Government's regulatory policies concerning coal have resulted in coal losing a substantial share of the electric generation market. In order for coal producers to keep their employees in jobs, they have turned to the overseas market where coal is increasing in popularity. In Europe, coal is replacing retiring nuclear units and backing up intermittent technologies such as wind and solar. In China, America's metallurgical coal is used to make steel and our steam coal is used for electricity generation.

Similar to the oil and gas industry statistics, coal production on Federal and Indian lands is declining; it is over 9 percent less than its peak production in fiscal year 2008. Fewer coal lease sales have taken place on Federal lands on average during the Obama Administration than during the prior two administrations. Though production is less and lease sales are fewer, coal revenues from coal lease sales and production have been the largest ever in fiscal year 2012.

Thank you for the opportunity to supply this testimony for the Committee's use.

Mr. LAMBORN. Thank you for your testimony. And finally, Ms. Kendall.

Mr. HUFFMAN. Mr. Chair, before Ms. Kendall is recognized for her testimony, I ask unanimous consent that she be recognized and given the opportunity to respond to the rather unique and certainly unfounded allegations that you made toward her before the testimony began.

I strongly take issue with that intense partisan and ad hominem attack. I think it is only fair that the witness have a chance to respond. And I would even argue that the Committee rules, rule 3(d), which require that Members limit their remarks to subject under consideration by the Committee, has certainly been stretched, if not broken, by those remarks.

Mr. LAMBORN. Well, I would disagree with you. There is nothing personal when you point out that someone has not produced subpoenas, for instance. That is not a personal attack, that is a—

Mr. HUFFMAN. The BP Horizon oil spill?

Mr. LAMBORN. That is—

Mr. HUFFMAN. This is part of the matter under consideration today? That was a far-ranging personal attack, unlike anything I have heard—I have only been here for 7 months.

Mr. LAMBORN. Well—

Mr. HUFFMAN. An absolute extraneous ad hominem attack on a witness. She deserves to respond.

Mr. LAMBORN. She is free to use her 5 minutes however she wishes. And if she wishes to answer in the way you have described, she is free to do that.

Ms. Kendall, you are recognized for 5 minutes.

Mr. HUFFMAN. Are you objecting, then, to my request for unanimous consent?

Mr. LAMBORN. Yes.

STATEMENT OF MARY L. KENDALL, DEPUTY INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF THE INTERIOR

Ms. KENDALL. Mr. Chairman, I am acutely aware of the view that certain members of this Committee hold about me. That should not, however, diminish or eclipse the value and import of the good work done by the capable OIG staff. I am extremely proud

of the work that the OIG has done under my leadership, and I am unwavering in my belief that it is both objective and independent.

That said, I am happy to be here to discuss the OIG report on the coal management program at the Department of the Interior. Coal management is a high-dollar program for the Department. In fiscal year 2012 the Department collected \$876 million in coal royalties and over \$1.5 billion in bonuses. The Bureau of Land Management, or BLM, is responsible for managing the coal program for the Department, which makes up roughly 40 percent of the total coal production in the United States. In fiscal year 2011, 473 tons of coal were produced from these mining operations. The largest coal-producing State is Wyoming, primarily from the Powder River Basin.

We conducted our evaluation to determine if the Department's coal leasing process obtains a fair return on coal, produced from public and Indian lands, and assessed the effectiveness of the Department's coal lease inspection and enforcement program. We found several areas in which BLM could improve its coal program. I will discuss a few of these.

BLM is responsible for obtaining fair market value for coal production on public and Indian lands. Mineral valuation expertise is critical for setting fair market value. But BLM does not use the Department's authority on valuation for minerals. We believe that BLM's coal lease sales would be greatly enhanced if the Office of Valuation Services assumed the appraisal function.

In addition, BLM does not fully account for export potential in developing fair market value. A reported 125 million tons of coal were exported in 2012, an amount that has almost doubled in 5 years. The price of exported coal has also more than doubled in only 4 years. This trend suggests that export potential should be considered in calculating fair market value. Accurately calculating fair market value is particularly important in coal leasing, because a competitive market does not generally exist for coal leases, making fair market value a substitute for competition.

BLM is required by law to reject bids that fail to meet or exceed fair market value. We found instances, however, in which BLM accepted bids below fair market value, resulting in over \$2 million in lost revenue. We believe that any bid below fair market value should be rejected.

Prior to a lease sale, a mining company explores the site for the existence and extent of coal seams and considers the energy content and quality of the coal. The company must then furnish this information to BLM, which uses the information to develop fair market value. BLM does not, however, independently verify this information, and places itself at risk of receiving and relying upon incorrect data from mining companies.

We also found that BLM may not be getting a fair return for lease modifications. BLM typically approved a substantially lower price for modifications, averaging more than 80 percent lower than the price used in the regular lease sales. We estimated a potential \$60 million in lost revenues because of this practice.

BLM does have an active inspection and enforcement program, but runs the risk of inconsistencies among its State offices due to its decentralized organization structure and outdated and never-fi-

nalized guidance. BLM also has an inspector certification initiative underway that covers all personnel who inspect solid minerals, including coal. This initiative should improve the quality and consistency of inspections and enforcement.

This concludes my formal testimony today.

I would be happy to answer any questions members of the Committee may have.

[The prepared statement of Ms. Kendall follows:]

PREPARED STATEMENT OF MARY L. KENDALL, DEPUTY INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF THE INTERIOR

Mr. Chairman and members of the Committee, thank you for the opportunity to testify today about the Office of Inspector General's evaluation of the U.S. Department of the Interior's management of its coal program.

Coal management is a high-dollar program for the Department. In fiscal year 2012, the Department collected \$876 million in coal royalties, and over \$1.5 billion in bonuses from six lease sales. The budget for coal management is approximately \$9.5 million.

The Bureau of Land Management (BLM) is responsible for managing the coal program for the Department. Coal from lands controlled by BLM makes up roughly 40 percent of the total coal production in the United States. BLM manages a total of 314 leases—306 leases on public lands and 8 on Indian lands. In fiscal year 2011, 473 tons of coal were produced from these mining operations. Seventy-one companies operate about 80 mines on public and Indian lands. Four companies account for over 90 percent of BLM's sales volume. The largest coal producing State is Wyoming, primarily from the Powder River Basin. In fiscal year 2011, Wyoming accounted for 83 percent of the Department's total coal production and 86 percent of its coal revenues.

We conducted our evaluation to determine if the Department's coal leasing process obtains a fair return on coal produced from public and Indian lands. We also assessed the effectiveness of the Department's coal lease inspection and enforcement program.

We found several areas in which BLM could improve the coal leasing process—in valuation, bid acceptance, internal controls, exploration integrity, modifications, and royalty rate reduction—and strengthen the inspection and enforcement program.

FAIR MARKET VALUE

BLM is responsible for obtaining fair market value (FMV) for coal produced on public and Indian lands. FMV is calculated by considering a number of variables. Mineral valuation expertise is critical for setting FMV, but BLM does not use the Department's Office of Valuation Services (OVS), which is the Department's authority on valuation for all minerals extracted from public lands. We believe that BLM's coal lease sales would be greatly enhanced if OVS assumed the appraisal function.

In addition, BLM does not fully account for export potential in developing FMV. The U.S. Energy Information Administration reported that 125 million tons of coal were exported in 2012, an amount that has more than doubled in 5 years. The price of exported coal has also more than doubled in only 4 years. This trend suggests that export potential should be considered in calculating FMV. Exported coal volumes from the Powder River Basin represent about 1.6 percent of production (6 million tons), but mining companies are actively exploring methods to transport the coal to western ports to export the coal overseas. Export volumes have stabilized in 2013 but are expected to rise in the long term.

Accurately calculating FMV is particularly important in coal leasing because a competitive market does not generally exist for coal leases, making FMV a substitute for competition. Over 80 percent of the sales for coal leases in Wyoming's Powder River Basin had only one bid in the past 20 years. None had more than two bidders on a sale. The lack of competition is attributed to BLM's decision in 1990 to discontinue large-scale regional lease sales and use smaller scale lease sales to continue or extend the life of existing mines.

The Mineral Leasing Act requires BLM to reject bids that fail to meet or exceed FMV. We found four instances, however, in which BLM accepted bids below FMV, resulting in over \$2 million in lost revenue from the bonuses. We believe that any bid below FMV should be rejected. When a bid is rejected by BLM, however, the sales process starts all over. We recommended that BLM explore options to stop this

inefficient practice. Entering into direct negotiations with the unsuccessful bidder is one possible solution. This may require a change to legislation and applicable regulations but may be worth the effort, as about 25 percent of lease sales in the Powder River Basin, which is among the highest producing coal areas on public lands, are rejected and go through the time-consuming process of lease reoffer.

INTERNAL CONTROLS

We also found that BLM has internal control weaknesses regarding FMV data security and review and approval of FMV determinations. Procedures for safeguarding FMV data are inconsistent among BLM offices, and in one State office, a single individual computes FMV, increasing the possibility of undetected errors, a higher risk of fraud, and an inability to move sales forward if that person is absent.

EXPLORATION INTEGRITY

Prior to a lease sale, a mining company explores the site for the existence and extent of coal seams and considers the energy content (BTU) and quality (sulfur, ash, water content) of the coal. The company is required to furnish this information to BLM, which uses the information to form the basis of the FMV determination. BLM does not, however, independently verify this information. While a BLM handbook recommends that staff witness exploration activities, at least one State office (Montana) does not conduct such oversight. We did not find specific indicators of data misrepresentation but, without verification, BLM places itself at risk of receiving, and relying upon, incorrect data from mining companies.

MODIFICATIONS

We found that BLM may not be getting a fair return for lease modifications. In the lease modifications we reviewed, BLM typically approved a substantially lower price—averaging more than 80 percent lower—than the price used in the regular lease sales during the same period. We estimated a potential \$60 million in lost revenues. While the modifications may have been justified, we could not validate BLM's decisionmaking process with the documentation available to us.

ROYALTY RATE REDUCTION

Mining companies may apply for a royalty rate reduction for a number of reasons. Our review showed that BLM appropriately evaluated and managed royalty rate reductions. When a royalty rate reduction is based on financial hardship, however, BLM program officials generally do not have the expertise to evaluate a company's financial statements and other supporting documentation. We recommended that in such cases, BLM seek the assistance of the Office of Natural Resources Revenue (ONRR), which has accounting expertise in financial records analysis.

INSPECTION AND ENFORCEMENT

BLM has an active inspection and enforcement program. The Bureau runs the risk of inconsistencies among its State offices, however, due to its decentralized organizational structure and outdated and never-finalized guidance. The practice of BLM coal inspectors is to work informally with mining companies to resolve non-compliance. This is due, in part, to the ineffective tools they have for enforcement. The Notices of Noncompliance that BLM uses to cite companies for infractions do not have a financial penalty associated with them. BLM told us that it is limited by current statutory authority.

INSPECTOR ROTATION AND TRAINING

BLM has assigned inspectors to the same mines for many years, sometimes decades. This may result in over familiarity with mine operators and complacency in inspections and enforcement. BLM has no policy or practice for cross-training inspectors. One inspector may see things differently than another, and cross-training would assist BLM in succession planning.

BLM does have an inspector certification initiative underway that covers all personnel who inspect solid minerals, which includes coal. This initiative should improve the quality and consistency of inspections and enforcement.

THE OFFICE OF NATURAL RESOURCES REVENUE'S POWDER RIVER BASIN PROJECT

Outside of our Coal Program Evaluation, we have been monitoring the Office of Natural Resources Revenue's coal audits focusing on export coal sales from the Powder River Basin. In December 2012, ONRR formed a Task Force Team, consisting

of auditors from ONRR and the States of Montana and Wyoming, to review potential export sales involving Federal coal mined from the Powder River Basin to ensure that the royalty calculations and payments complied with lease terms. ONRR developed a comprehensive Project Action Plan to be completed by December 2015, with additional reviews beyond 2015 if warranted.

This concludes my formal testimony today. I would be happy to answer any questions members of the Committee may have.

Mr. LAMBORN. All right. Thank you all for your testimony. We will now begin our questions. Each Member is limited to 5 minutes of questions. But we may have additional rounds. I will begin with myself.

Ms. Hutzler, for many years some have suggested that U.S. taxpayers do not receive a fair market value for mineral royalties and revenues derived from the production of oil, natural gas, and coal on Federal lands. The recent IG report suggests that the Government might be receiving less revenue, approximately \$62 million out of \$2.4 billion in total revenues, for coal, than it could. Do you know of any other examples where the Government might be foregoing revenues from energy development on Federal lands and waters?

Ms. HUTZLER. Yes. If we take a look at oil and gas development, we, in the year 2008, actually received \$24 billion in revenues from leasing. That includes the bonuses and the royalties. It turns out that the level of revenues that we have received since 2008 are much lower, about half as much in fiscal year 2012 as we received in 2008. If we had continued with the program we had in fiscal year 2008, we would have gotten an additional \$54 billion.

Now, that is just dealing with history. If we deal with oil and gas development on Federal lands and opening more of it, we could even garner more revenues. For instance, the Congressional Budget Office did a report recently that showed if the Arctic National Wildlife Refuge were opened to leasing, that we would get \$5 billion in revenue over the next 10 years.

The Institute for Energy Research did a study taking a look at the CBO analysis, and then taking a look at the macroeconomic effects. And we found that Federal tax revenues could increase \$2.7 trillion if we opened up additional lands to leasing, oil and gas leasing. And, in fact, to the economy we would add \$14.4 trillion.

Mr. LAMBORN. OK, thank you. The United States, without adopting the Kyoto Protocol, reduced its CO₂ emissions further than the European countries did, even though they did adopt the Kyoto Protocol. Recently, both U.S. and European climate scientists that believe in an anthropogenic climate change, have made public statements acknowledging that there has been no warming for the past 17 years, worldwide, even though CO₂ concentrations in the atmosphere have continued to rise.

As such, many European countries are abandoning their climate strategies and their reliance on expensive, renewable energy sources, and are once again building coal-fired power plants. What lessons can the United States learn from the European experience?

Ms. HUTZLER. As you indicated, the Europeans did put in a cap and trade program to try to reduce emissions. The United States reduced emissions by 12 percent since 2005, if you look at 2012 data. That is way close to the President's goal of a 17 percent re-

duction by 2017. So we are well on our way there, where the Europeans have had to suffer because of their program.

For instance, in Germany, their electricity prices are three times the electricity prices in the United States. They pay about \$.34 per kilowatt hour to residential customers, where we are about \$.11 or \$.12 per kilowatt hour. So that is a tough lesson to learn. Plus, even though they were planning not to build coal plants, they are building coal plants in Germany. They are building about 10 coal plants because they have to back up their intermittent technologies with fossil fuel technologies. And in Europe, natural gas prices are very high, so they are choosing to do it with coal.

Mr. LAMBORN. OK, thank you. And last, with the number of coal-fired power plants projected to shut down over the next several years as a result of the Obama Administration's regulatory agenda, how is that going to affect the availability of electricity in this country if that does, indeed, take place?

Ms. HUTZLER. That is a very good question. Obviously, the Administration wants us to build wind and solar plants to back up all of those—well, to replace those coal plants.

Unfortunately, those intermittent technologies need to be backed up. The wind doesn't blow all the time, the sun doesn't shine all the time. So you can't guarantee that they are going to be available when you want to turn the switch on for electricity. So, therefore, we need other plants. And we are turning toward natural gas now. So we are going to have to build natural gas plants and we are going to have to eventually see a higher price, because natural gas prices will eventually increase.

Taking away our coal-fired power plants, is taking away a substantial amount of our electricity generation.

Mr. LAMBORN. OK, thank you. I now recognize the acting Ranking Member, Mr. Huffman of California.

Mr. HUFFMAN. Thank you, Mr. Chairman, and thanks to all the witnesses for traveling here and sharing your testimony with us today.

I want to begin with Acting Inspector General Kendall. Again, inspector general, I think it is very unfortunate that you had to withstand the insulting remarks that were leveled at you on an ad hominem basis earlier today. But it is almost laughable that you would be characterized as some kind of a lap dog for the Administration when, in fact, you oversaw an investigation that found major flaws in the Administration's approach to these leases.

And so, what I want to ask you about is, we have heard a \$62 million figure that you offered up as the possible loss to the taxpayers. Whether you actually attempted to quantify the full extent that BLM may have failed to accurately reflect Federal coal before the leasing, and so, how you would characterize the \$62 million estimate? Is it a conservative estimate? What would you say about that?

Ms. KENDALL. It is hard for me to call it, really, anything. It is based on the sample of leases that we looked at. And the way we looked at it, we could not extrapolate out the entire body. It is just one approach to looking at a program. In this case it was a select sample. It was not the kind of sample where we could figure out what the whole universe was.

Mr. HUFFMAN. All right. I realize I am asking you to speculate. But if you were asked to speculate, would you say the actual number is more likely to be higher or lower than that amount?

Ms. KENDALL. I would say higher.

Mr. HUFFMAN. Thank you. I want to ask a question of Ms. Hutzler. I noticed in your testimony that you zeroed in on 2008 as a benchmark year to talk about revenues from oil and gas leasing when you were asked about that by the Chair. But there was something a little bit different going on in 2008 that might explain that very high revenue spike, wasn't there?

Ms. HUTZLER. Well—

Mr. HUFFMAN. I mean didn't the price of oil rise to \$147 per barrel in 2008?

Ms. HUTZLER. Yes. I thought you were probably going to center in on that figure, and that is true. But you have to realize that the Arctic area was open to leasing, and there were high bids by a number of oil companies in that area. So it was really the fact that oil companies wanted to start drilling in the Arctic that opened it, not necessarily that there was a high oil price. That did change the moratorium on offshore drilling, of course.

Mr. HUFFMAN. But there is another fact that I think was omitted in your testimony, too, and that is that we are producing more oil and gas from Federal lands today, in 2013, than we did in 2008. Isn't that true?

Ms. HUTZLER. Gas has been going down and continually on Federal lands, so I do not believe that is true.

Mr. HUFFMAN. Oil?

Ms. HUTZLER. It turns out oil had its peak in 2010 and it has declined in 2011 and 2012.

Mr. HUFFMAN. But the oil produced today from Federal lands is higher than the benchmark year you used, 2008, correct?

Ms. HUTZLER. It might be; I would have to check those statistics.

Mr. HUFFMAN. All right. We heard you testify about what you view as expansive reserves, almost unlimited reserves of coal. What can you tell us about coal production costs in recent years? Where have they been trending?

Ms. HUTZLER. Well, coal prices have been going up.

Mr. HUFFMAN. Specifically production costs.

Ms. HUTZLER. Well, I know the delivered price of coal has been going up. If you take a look at—

Mr. HUFFMAN. Delivered cost going up about 7, 8 percent a year?

Ms. HUTZLER. But you have to realize that includes the transportation cost.

Mr. HUFFMAN. Sure.

Ms. HUTZLER. And oil prices have gone up and the transportation prices have gone up. If you take a look at—

Mr. HUFFMAN. Does it sound about right—

Ms. HUTZLER. If you take a look at the Powder River Basin—

Mr. HUFFMAN. OK.

Ms. HUTZLER [continuing]. I think coal there is still around \$15 a ton, which isn't that much higher than it was a few years ago. So we are still getting very inexpensive coal at the mine mouth.

Mr. HUFFMAN. Coal goes by train, right?

Ms. HUTZLER. Yes, it does.

Mr. HUFFMAN. OK. And production cost, does it sound about right that they have been going up 8 to 10 percent per year, on average?

Ms. HUTZLER. I would have to check that.

Mr. HUFFMAN. What about the profitability of extracting all of these reserves that you mentioned? Have you done any studies on the actual profitability, or are these just sort of hypothetical reserves that could be accessed?

Ms. HUTZLER. No, reserves are, by definition, coal that you can get economically at today's prices, so 261—

Mr. HUFFMAN. So you have studied the economic recoverability of all the reserves that you mentioned?

Ms. HUTZLER. I am using EIA numbers. And 261 billion short tons of coal are economic today. Those are our reserves.

Mr. HUFFMAN. All right. Thank you. I will yield the balance of my time.

Mr. LAMBORN. Thank you. Mrs. Lummis from the great State of Wyoming.

Mrs. LUMMIS. Thank you, Mr. Chairman. Let me get a couple of things straight about the BLM's process for valuing coal.

Ms. KENDALL, who comes up with the minimum price for coal?

Ms. KENDALL. Well, BLM has a process by which they come up with a fair market value. And—

Mrs. LUMMIS. OK. And when they come up with a fair market value, does the bidder know what fair market value the BLM has put on that coal when they bid?

Ms. KENDALL. No, they do not.

Mrs. LUMMIS. OK, so it is a blind bidding process. The BLM sets the price, and companies bid. And if they bid below that price, what happens?

Ms. KENDALL. Well, BLM is supposed to reject the bid.

Mrs. LUMMIS. OK. Well, and most of the time that happens. Correct?

Ms. KENDALL. Yes.

Mrs. LUMMIS. So you found two instances where they accepted a bid that fell below their own minimum?

Ms. KENDALL. We found four.

Mrs. LUMMIS. Four. And do you know why they accepted the bid below minimum? Was it just a scrivener's error, a mistake, or something?

Ms. KENDALL. No, no. They accepted it intentionally. They called it a slim margin, or they told our auditors that it was a slim margin. And rather than have to go back and rebid, they worked with the company, the bidder, to accept the bid.

Mrs. LUMMIS. Can you explain why these are not competitive, in most cases, leases?

Ms. KENDALL. Well, what I understand is that there are a very limited number of companies who—

Mrs. LUMMIS. Not only that. Have you ever been to the mines? I mean they are very far apart. And the Powder River Basin is enormous. And the infrastructure that is required to establish a coal mine through the permitting process, through the removal of top soil, the removal of overburden, the coal mining itself, the replacement of the overburden, the replacement of the top soil, the

reseeded of the top soil, the contouring back to the original contours, that is how mine reclamation, mining and reclamation works. Correct?

Ms. KENDALL. You are far more knowledgeable about that than I.

Mrs. LUMMIS. Well, That is how it works. And consequently, you can't just go in and say, "Hey, I am going to go compete against Cloud Peak," or Arch Coal, and say, "My gosh, I am going to set up a coal mine. I am going to go in there and bid against them and outbid them and set up a coal mine." It doesn't work that way, does it?

Ms. KENDALL. I honestly couldn't say, one way or the other. What I know is that they are required by statute to establish fair market value, and that is what they are—and they are also—

Mrs. LUMMIS. OK. So they establish fair market value. And it is a blind number to the bidder. So aren't there occasions where the bidder bids more than the established fair market value?

Ms. KENDALL. I believe there are.

Mrs. LUMMIS. So, some companies are paying more. Actually, the American taxpayer is getting more for some of that coal, as opposed to undervalued. Correct?

Ms. KENDALL. That could be.

Mrs. LUMMIS. And did you look into that?

Ms. KENDALL. That was not part of what we looked into. At least the leases that we reviewed, we did not find, as far as I know, any where they were overbid.

Mrs. LUMMIS. You didn't see any case where the BLM set a price, and the bid that was accepted was higher than the minimum that was set, I mean, how remarkable, that these coal companies could bid to exactly the number that the BLM set, without going over, even a penny.

Because, as you know, one cent per ton on the 360, what, a million tons that were mined, that is, like, \$3 million. So a one-cent-per-ton overbid or underbid, you know, we are talking about real money, one cent. So they all hit them right on the mark, except those few that fell under?

Ms. KENDALL. Congresswoman Lummis, I would have to get back to you with the details on that. I just, I can't say, one way or the other, right here.

Mrs. LUMMIS. Does the blind process generally work to the benefit of the American taxpayer, would you say?

Ms. KENDALL. I would say that, for the most part, the American taxpayer gets a fair return on—

Mrs. LUMMIS. Gets more money. Are you willing to say that? Gets more money?

Ms. KENDALL. I cannot say that here today, no.

Mrs. LUMMIS. But you are willing to say that the differences that—I heard the gentleman before me say that these were major flaws. Really? Would you characterize what you identified as major flaws? Or were they paperwork matters, accounting matters that the BLM, as I understand it, has said, "Yes, we will take your recommended changes"? Is that—

Ms. KENDALL. The BLM has accepted all of our recommendations. Yes.

Mrs. LUMMIS. Thank you, Mr. Chairman. I yield back.

Mr. LAMBORN. Thank you. Mr. Lowenthal?

Dr. LOWENTHAL. Thank you, Mr. Chair. And I would like to preface my remarks by saying after going through and looking at the reports, that I concur with Congressman Huffman, that this unwarranted attack on the Department of the Interior's coal leasing process was uncertainly unwarranted.

And I am especially impressed where one agency of government looks at another within it and really clearly defines some of the issues there. So I am quite impressed with how your operation actually works.

What I would like to do, though, is to ask a question from this report that said, when it was talking about the BLM process for computing the value of leases, when you indicate that in part that it is flawed, that it does not use the DOI's Office of Valuation Services to prepare the fair market value appraisals, it continues to prepare the appraisals using its own appraisers, then you go on to say, "which violates the secretarial order issued in 2010 that was supposed to foster independence by removing the valuation process from the BLM."

Is this still today accurate? And why doesn't the BLM not follow the secretarial order?

Ms. KENDALL. I can't tell you why BLM doesn't follow it. I hope that, as a result of this report, they will begin to do so.

My understanding is that the difference between valuing minerals and valuing land is significant, and that the considerations that go in to each of those are very, very different, which is why our recommendation was for the minerals here that the office that is designated as the Department's expert be consulted and be used for that valuation.

Dr. LOWENTHAL. I thank you, and I yield back my time to the Ranking Member, if he would like to—

Mr. HUFFMAN. No, I have no questions.

Mr. LAMBORN. OK. Representative Daines.

Mr. DAINES. Thank you, Mr. Chairman. Last week I spent some time out in eastern Montana, went to the coal operations there around Colstrip. It is always a good reminder, as we frame this discussion of where the electricity comes from. According to the Government's own stats, about 40 percent of Americans' electricity comes from coal, about 30 percent from natural gas, about 20 percent nuclear, 7 percent hydro. It is about 3 percent wind, and about 0.1 percent solar. So, just a reminder about how important this debate is, because it is our number-one source of electricity, and a cheap source of electricity.

In fact, I saw my first electric car generation system, where you can plug in your Tesla and so forth, not in Montana. It was actually in California. I am not opposed to electric cars, but we ought to remind the American consumer that, based on these statistics, a sign on the back of that Tesla might read, "This car likely powered by coal." That is what the statistics would show us.

By the way, when I toured Colstrip last week in my home State, great, big, power generation plants, coal-fired, they tell me now they used to use 1,000 homes per megawatt as their ratio. Now it is 750 homes. Why is that? Americans are using more electricity.

They like their flat-screen TVs, they like their mobile devices, they like their computers. We are using more electricity, hence why it is so important we have a low cost source of electricity.

I was struck by the President's science advisor, on the same day that he announced his climate change agenda, when the science advisor, Daniel Schrag, said, and I quote from the New York Times, "War on coal is exactly what is needed." And I would humbly submit that what the President is doing here is declaring war on American jobs, declaring war on the American consumer and American families, and, frankly, declaring war on, if you look at what is going on in Montana, as Chairman Old Coyote of the Crow Nation said, a 47 percent unemployment rate on the Reservation. What is needed is a war on unemployment, not a war on coal. And coal is a way that we can generate more jobs.

With that as background, I would like to turn my questions here to Chairman Old Coyote. Could you elaborate more on how important resource development is in generating the revenue and jobs necessary to sustain your Reservation?

Mr. OLD COYOTE. The substantial coal resources we have, as Crow people, one area I would like to continue is the vision of the late Chairman Vann, is to have the Crow Nation, with a project partner, build the first coal-to-liquids plant in North America, with capture and storage of carbon. And we have done studies back with MSU Bozeman on carbon capture and storage. And division has contract with the U.S. Air Force to supply clean diesel, diesel fuel, that would meaningfully reduce carbon emissions throughout the world, reduce America's dependence on foreign oil, and provide a safe and secure domestic fuel supply to our national defense.

And right now, my administration would remain hopeful that we can all support clean coal, that technology advancements can create a smaller-scale project, and that we will have a new development partner to take the risk with the Crow Nation. Needless to say, we, as the Crow people, are pursuing an all-of-the-above energy development strategy, which would mean hydropower, wind, coal export, and coal-to-liquids. But we would need some help in order to effectuate this energy vision.

So, we are wanting to pursue not only clean coal technology, but also coal exports, wind, and hydropower, and we have the capability of doing all of these to reduce that 47 percent unemployment rate, and also to become self-sufficient as a nation. Because the majority of our budget, as a tribe, comes from coal development. And with the plant that went down in Minnesota that reduced our budget as a tribe by 57 and meant a lot of layoffs within the tribal government, my approach is to build a coal-to-liquids plant, capture and store the carbon, and supply diesel fuel to the U.S. Air Force. And this would reduce America's dependence on foreign oil.

Mr. DAINES. Chairman Old Coyote, in terms of thinking about your growth and economic growth there for your people, how important is the ability to export our coal to global markets? How does that factor in to your calculation?

Mr. OLD COYOTE. Right now, domestically, with the attack on coal, this would help with the export of coal, because right now many countries are actually buying coal, maybe from Indonesia and other countries. But we, as a tribe, and not only a tribe, but the

United States, we could supply a lot of the coal to other countries. And opening up a export would mean more revenue, more jobs, more opportunities for not only Crows but also Montanans and also U.S. citizens. So this would help economies throughout the Northwest and also in Montana and Wyoming.

Mr. DAINES. Thank you.

Mr. LAMBORN. Mr. Stewart?

Mr. STEWART. Yes, thank you. Thank you, Mr. Chairman, and to the witnesses, and thank you for your valuable testimony today and for spending time with us.

And I am going to move kind of quickly. I am going to try and reserve a few minutes of my time for my friend from Wyoming, Mrs. Lummis. But let me make a couple points, if I could. And I will ask all of you and, again, if you would reply quickly, would any of you disagree that this Administration would like to reduce the number of coal-fired power plants?

[No response.]

Mr. STEWART. Clearly, that is their objective here. OK. No disagreement from you. And, in fact, the objective and the goal is 40 gigawatts of power, equaling something like 231 power plants that are right now expected to be shut down because of these new regulations on coal-fired power generation between now and 2022.

Would you disagree that in their perfect world, this Administration would perhaps like to eliminate all coal-fired power plants in the United States?

[No response.]

Mr. STEWART. OK, all right. I will take that as a yes. And then, the final question on that is what is the environmental fear that drives that, that desire to reduce or eliminate all coal-fired power plants? Ms. Hutzler? Would you like to answer that, your opinion on what it is, the environmental concern that is driving that?

Ms. HUTZLER. Yes. I believe that is the case. They want to reduce carbon dioxide emissions, or greenhouse gas emissions.

Mr. STEWART. Because of climate change concerns. Is that true?

Ms. HUTZLER. Yes.

Mr. STEWART. Yes. And, by the way, I thought that your testimony here, your entire written testimony, is one of the finer things that I have read as a synopsis of some of these concerns and some of these issues.

The Edison Electric Institute expects, as I said, massive forced retirements in coal-fired power plants between now and 2022, 48 gigawatts of power, 231 power plants. That is a number worth repeating.

But my point is this. If your objective is to reduce global emissions, and it is global climate change, it is not U.S. climate change, it is something that has to be done on a global scale, or we are just simply beating our heads against the wall, then if your objective is to reduce climate emissions and we are going to drive up the cost of electricity for American consumers, for American businesses, for young families and working families at a cost of 50,000 direct jobs and 250,000 indirect jobs, then let's say that we are successful at doing that, and we eliminate this 48 gigawatts of power, and we shut down 231 power plants. But in that same time period India and China build 231 coal-fired power plants or more, have we done

any good at all in affecting emissions that affect global climate change?

[No response.]

Mr. STEWART. OK. Well, I think again, I think we made the point. This is something that, we can hurt our own economy. We can hurt families that live in America if we choose to. But we may not have any impact at all if we don't attack this in a global economy and on a global scale.

And I don't know why this Administration would choose to hurt Americans when they are not engaging on the world market with China and India and Mexico and Russia and the Ukraine, and now France and Germany and many European nations that have turned back to coal as well, why we would put ourselves at that disadvantage, I don't understand.

With that, Mr. Chairman, I would like to yield the remainder of my time to, again, my colleague, Mrs. Lummis.

Mrs. LUMMIS. I thank the gentleman. And I have some questions for Commissioner Coolidge, who is the Chairman of the Board of County Commissioners in Campbell County, Wyoming, which subsumes the vast majority of the Powder River Basin, as it appears in Wyoming.

Sophia, could you put some reclamation photos up that we have here? This is reclaimed coal mine land. This land has been mined and reclaimed to the original contours and, in some cases, new amenities have been put in, such as the wetlands photo you saw in the last picture.

Commissioner Coolidge, would you comment on your experience in Wyoming? Why do you live there? The balance between resource development and conservation, the amenities in Campbell County. Just paint us a picture.

Mr. COOLIDGE. Well, actually, I would love to. No, we have got a great story to tell, and I always love to tell it.

It is interesting, the comments about Montana from Mr. Daines. I was born and raised in Montana, and came to Wyoming because that is where the jobs were, that was where the mineral industry was flourishing. And, like Mr. Daines, I am an avid outdoorsman. I hunt, I fish. I backpack. I enjoy the outdoors. And what a great success story this is.

I am third generation oil and gas, so I am well aware of the value of the mineral industry and the responsibility it has. And these pictures tell a great story, here. I think often times we get a perception of coal mining that isn't accurate. Maybe we think about the underground mines and those types of things. And these pictures do tell the story.

Our coal mines have been highly successful in the reclamation process. As I alluded to in my testimony, the land is actually better than they found it. So it is a habitat for wildlife, it is a great tool for our agriculture industry, and for the viewshed.

Mrs. LUMMIS. Thank you, Mr. Chairman. If you go for a second round, I will have some additional questions.

Mr. LAMBORN. OK. Then we will do that. I would like to now open our second round of questions.

And, Commissioner Coolidge, how many direct jobs exist in your county due to coal mining, and how many indirect jobs, would you estimate?

Mr. COOLIDGE. Direct jobs, at last count, is approximately 5,400. And those are jobs, employees, that work directly for the coal mines. In addition to that, you have got extensive service industry jobs that exist with maintenance of the equipment and electrical contractors. The list goes on and on, the services that are directly employed by the mines.

And then, of course, even harder to quantify are the retail and hospitality jobs that exist because of the coal-mining industry. It is safe to say that not just specific to coal mining, but the mineral extraction business counts for 90-plus percent of the jobs in my community.

Mr. LAMBORN. And, Commissioner, do you have any idea of the comparison between the revenue to a county or a State that a coal mine produces versus something like a wind turbine farm, a wind farm?

Mr. COOLIDGE. Because we haven't had any direct wind farm development in my county, I don't feel like I could give expert testimony in that regard. But in talking to my colleagues across the State of Wyoming, those that have wind projects in their county, because of the subsidies and the tax holidays and what not, they don't contribute near the revenues that either oil and gas or coal do.

Mr. LAMBORN. OK, thank you. Chairman Old Coyote, I would like to ask you a question.

Some have suggested that the Crow Nation should abandon its pursuit of coal development and, instead, focus on drawing investment in renewable energy, such as wind and solar. What thoughts or advice would you have in regards to that suggestion?

Mr. OLD COYOTE. Well, as far as renewable energy for hydro and wind, that doesn't produce a lot of jobs, and it would probably be about 80 percent unemployment if we did that. And we are working with renewable energy as well as fossil fuels right now, coal being our number one, bringing in the most money for the tribe. And all the revenues that we derive from the coal development, not only the jobs out at the mine, but also, 50 percent of our budget comes from the mining of coal. So if we just went strictly with renewable, I think our unemployment rate would go up to maybe 80 to 90 percent.

Mr. LAMBORN. OK, thank you. Ms. Hutzler, President Obama said, when he was campaigning for the presidency, that his policies would mean that the price of coal-generated electricity would necessarily skyrocket. If he succeeds in making the price of coal, excuse me, electricity generated from coal skyrocket, what would that do to the U.S. economy?

Ms. HUTZLER. I don't have the statistic handy to indicate how bad that impact would be. But, clearly, it would be extremely bad to have those prices skyrocket.

I mean you can just consider what electricity prices at two or three times what we are paying now would mean, in terms of people's electricity usage, and in terms of what would happen to the economy. I mean it would be devastating.

Mr. LAMBORN. OK, thank you. And I would like to recognize Representative Huffman.

Mr. HUFFMAN. Thank you, Mr. Chair. I want to go back to Acting Inspector General Kendall. Your report indicated that BLM does not believe that it has statutory authority to levy financial penalties on coal companies as part of its inspection and enforcement program. And you pointed out in your report that this may explain why there have only been 6 instances of non-compliance reported in over 8,100 inspections. And those were conducted during the 2-year—3-year period from 2009 to 2011.

What sort of potential violations are we talking about, here that would tend to get implicated by these types of inspections?

Ms. KENDALL. I think we are talking primarily about safety violations. There may also be some production kinds of violation, reporting violations, in terms of what is being produced as opposed to what is reported to be produced. Although, when it comes to royalties, I think we mentioned in the report that BLM does have the option to work with the Office of Natural Resources revenues, to use their enforcement tools when it comes to royalties.

Mr. HUFFMAN. And I think BLM has only 27 inspection and enforcement personnel for coal operations nationwide, is that correct?

Ms. KENDALL. That is correct.

Mr. HUFFMAN. OK. Chairman Old Coyote, I want to ask you a question about your carbon capture and sequestration program. I think many of us would love to see success in the technological endeavors toward carbon capture and sequestration, but I have been under the impression that it has never been done at a commercial scale cost-effectively. I think I heard you testify that you are doing it now. And so, I am curious to know more about the size of the project and the details of the project.

I also know that the Administration recently put out a solicitation for \$8 billion, in terms of loan guarantees for precisely this type of technological undertaking. And I wondered if you had looked into the possible application of that in your case.

Mr. OLD COYOTE. Well, we did pursue coal-to-liquids. We have an agreement in place. But with the recession and gas prices going down, because of the economy we kind of put that on the back burner. But now, the technology, we have a partner that has done some work in Mongolia and various other places where this technology has been proven, carbon capture, diesel, and then also using the carbon, capturing the carbon into algae pools and then having biodiesel, using this technology. So it is proven technology that one of our partners has been working on.

Mr. HUFFMAN. And I want to applaud you for that kind of creative exploration. But what I wanted to clarify, is that project up and running, or—

Mr. OLD COYOTE. No. Right now we are working with our energy partners to take some of the risk, because it is pretty pricey. And then we are pursuing this technology, and we want to diversify the coal development. So this is one area that we are looking at diversifying because domestically, coal is being attacked, it is kind of a bad, four-letter word back here in DC, coal. But when they turn on their lights and their light bills are going up, then they use the actual four-letter word.

[Laughter.]

Mr. OLD COYOTE. But the coal, we use coal as a way to bring jobs and bring opportunities. And then this will diversify and bring more opportunities for not only us, but for America.

Mr. HUFFMAN. I appreciate that.

Mr. OLD COYOTE. Because it is going to help.

Mr. HUFFMAN. There has also been a three-letter word that has been keeping those electricity prices low, and that is gas, and cheap, natural gas, which maybe is as much of a concern to the coal industry as some of these other things we have been talking about in the bigger picture.

But I want to applaud you for looking at geologic carbon capture and sequestration. I think all of us would like to see continued efforts in that direction. Perhaps the Administration's loan guarantee announcement of \$8 billion may coincide with your interest in that, and could be of some benefit to you.

Thank you again for your testimony.

Mr. LAMBORN. Representative Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman. Just a quick question. Ms. Kendall, wouldn't safety violations be an MSHA matter, rather than a BLM matter? You mentioned safety violations.

Ms. KENDALL. I am not familiar with MSHA. I know that it is the mining oversight body. But I think BLM also has safety jurisdiction.

Mrs. LUMMIS. Quick question. Another quick question. Where is the point of valuation for coal under a Federal mineral royalty? Is it the mine mouth? Is it the tippie? Is it FOB mine? Is it the inlet of the plant, the electric power plant?

Ms. KENDALL. I have no idea.

Mrs. LUMMIS. Well, wouldn't that matter, if allegations are being made that we should be getting more royalty for coal that goes overseas, if it is valued for royalty purposes at the mouth of the mine, then regardless of where it is sold, the value is the same.

Anyway, we will talk about that another time. And we should, because I am really mystified by some of the arguments that are being raised.

I want to switch to Mr. Coolidge. Could you talk for a moment more about some quality-of-life issues in your community? When you have got a single mother who can drive down to a coal mine and run a coal truck that is as big as a building, and make a fabulous livable-wage job while her kids are in some of the finest public schools in America, what does that do for Campbell County? What does that do for the average American single mom? What will that do for the average member of the Crow tribe, if they get their mine going?

Mr. COOLIDGE. Thank you, and that is a very good question. You know, that is the beautiful thing about Gillette, Wyoming. When I moved there I wasn't too excited about the prospect of living there, because, quite frankly, it had the reputation of any boom town. And thought I would spend a couple years there and move on. And, quite frankly, everybody that lives there has that same story. And it is a wonderful community because of the revenues we have there. We have got a great school system. We have got the ability for all residents in the county to not only have a good-pay-

ing job, but also experience the benefits of what local government can provide because of the tax revenues.

We just recently completed a \$52 million rec center, in cooperation with the school district. We have just recently completed a \$44 million multi-events facility. And the list goes on and on. We have been able to replace all of our infrastructure and provide all these quality of life things for our residents.

And I often tell the story that we do pride ourselves in Campbell County and in the whole State of Wyoming as being ultra-conservative and staunch Republicans. But I often joke, and it is tongue in cheek, but, quite frankly, in Campbell County, Wyoming, we are almost Socialistic with the things that we do for our citizens, and the expectations that are there with our human service agencies, whether it be the senior citizen center or our homeless shelter. And the list goes on and on. So, it just makes for a great place to live.

Mrs. LUMMIS. Could you talk for a little bit about carbon capture activities in Wyoming?

Mr. COOLIDGE. I would love to. And, actually, I was disappointed that question was directed to my colleague, because I had things to say about that. And, granted, Mr. Huffman, we in Wyoming don't have a commercial capture and sequestration going on, either, but we have taken the necessary steps. We pride ourselves in Wyoming as being proactive. And if we feel like there are problems that exist, or regulations coming down the pike, we take the bull by the horns, so to speak, and deal with it. And we have been very proactive in our State legislature with our carbon capture legislation, and the whole sequestration issue, and mineral ownership and storage and those types of things.

But truth be known, it goes beyond just sequestration. We actually have a huge benefit from carbon dioxide in Wyoming, and otherwise referred to as CO₂. We utilize CO₂ for tertiary recovery projects. We pump that CO₂ into the hydrocarbon, the oil-bearing formation, and realize great returns from that tertiary recovery. As a matter of fact, near the naval petroleum reserve, the old Teapot Dome we all know so much about, the Salt Creek Oil Field, which is still the largest sweet oil field in the continental United States, and that production has almost tripled in the last 10 years because of the CO₂. So our answer to CO₂ is send us more, we can use all of it, and we can do good things with it.

Mrs. LUMMIS. Quick question for Ms. Hutzler about an announcement just made regarding Pennsylvania power plants closing because of the EPA regulations.

Ms. HUTZLER. Yes. First Energy Corporation is closing two of their coal-fired power plants, and that is 10 percent of their capacity. And it is going to affect 380 employees, and that is due to EPA regulations.

Mrs. LUMMIS. Thank you. And, Mr. Chairman, I yield back.

Mr. LAMBORN. Thank you. Representative Daines?

Mr. DAINES. I want to go back to a point that the gentlelady from Wyoming brought up a little earlier. And this is probably for Ms. Kendall. Looking at these blind bids for fair market value, and as someone who, as I think every Member here on both sides would agree, want to make sure we are looking out for the taxpayers of this country, those of us who are Americans looking out for Federal

lands, to make sure we get a good return on lands that we own collectively here as a Nation, looking at the data here, over the course of the last about 23 years, since 1990, there have been 21 accepted bids that were over the minimum price.

And again, back to the gentlelady from Wyoming's point, it is a blind bidding process. And so I assume that it would be very rare, in fact, it would be extraordinary, if one of the companies bidding would actually hit precisely the number, in terms of what is it, based on dollars per ton?

So, I understand 21 were accepted over the minimum price. There were 12 that were rejected, I assume because they were below the minimum price. But nine of those were rebid and then later accepted. So that would be 21 plus 9. Let's see, there would be 30 bids. Did you ever see a situation where they hit the number precisely? Because I assume if it is below it, you will reject it.

Ms. KENDALL. For the sample that we saw, we found four that they accepted below. And I am simply not familiar with the numbers that you are citing, and would be happy to get back with you and Congresswoman Lummis on those numbers, if we have them.

Mr. DAINES. OK. And, Mr. Chairman, I would like to submit this for the record. We have got the data here on the history of the bids, and the price.

And these are, as the gentlelady from Wyoming mentioned, these are very, very large numbers. I mean, for example, in a recent bid 2012, when I convert the dollars per ton times the tonnage and so forth to absolute dollars, the rejected bid was \$361 million, and then accepted later for \$446 million. That is an \$85 million increase, I am assuming, because one was below the blind fair market value target, the other one was above it, which would suggest that, more likely than not, and I am a chemical engineer by degree, but I am not necessarily a gambler, but I would assume odds are bids that are accepted are going to be above the fair market value. Would that be an accurate statement?

Ms. KENDALL. I would not disagree with that.

Mr. DAINES. OK, which suggests that the issue is probably not that the American taxpayer is not getting at least fair market value. Odds are, we are getting something well above the fair market value, based on the fact that you wouldn't accept a bid unless it were above the fair market value.

Ms. KENDALL. Well, in fact, when I first saw the results of this evaluation, I was questioning why it would be a blind bid, quite frankly, because I would think that the companies, if they know what the valuation that BLM put on as fair market value, would then try to outbid one another above that.

But this is the process, I understand, that has been in place for BLM as long as they have been in charge of the coal program.

Mr. DAINES. OK. Well, again, I will submit this into the record.

Mr. LAMBORN. If there is no objection, so ordered.

[The information submitted for the record by Mr. Daines follows:]

Federal Coal Lease Sale Information From 1990–2013 for the Powder River Basin

[For Congresswoman Lummis, July 8, 2013]

| State | Lease Serial Number | Sale No. for Lease | Sale Date | Number of Qualified Bids Received | Acres | Millions of Tons | Bonus Bid Accepted | Value (\$/Acre) | Value (\$/Ton) | Successful Bidder | Associated Mine Name | Date Tract was Reoffered, Sold, or Case Closed | Plans for Reoffering the Tract, No Bid Received, or Explanation for Not Reoffering |
|-------|------------------------|--------------------|-----------|-----------------------------------|----------|------------------|--------------------|-----------------|----------------|------------------------|----------------------|---|--|
| WY | WYW117924 | 1 | 26-Sep-91 | 1 | 1,708.62 | 102.60 | \$20,110,457 | \$11,770 | \$0.196 | Kerr McGee | Jacobs Ranch | N/A | N/A |
| WY | WYW118907 | 1 | 12-Aug-92 | 1 | 3,492.50 | 481.00 | \$71,898,842 | \$20,587 | \$0.149 | Thunder Basin | Black Thunder | N/A | N/A |
| WY | WYW119554 | 1 | 28-Sep-92 | 1 | 3,064.00 | 370.00 | \$86,986,960 | \$28,390 | \$0.235 | Powder River | MARO | N/A | N/A |
| WY | ¹ WYW122586 | 1 | 3-Dec-92 | N/A | 463.21 | 55.00 | \$14,220,185 | \$30,700 | \$0.259 | N/A | N/A | January 7, 1993; Sold | Bid did not meet FMV; reoffer requested |
| WY | ² WYW122586 | 2 | 7-Jan-93 | 1 | 463.21 | 55.00 | \$16,500,001 | \$35,621 | \$0.300 | Northwestern Resources | Rocky Butte | N/A | N/A |
| WY | WYW124783 | 1 | 5-Apr-95 | 1 | 1,059.18 | 166.40 | \$18,470,400 | \$17,438 | \$0.111 | AMAX Land Co. | Eagle Butte | N/A | N/A |
| MT | ¹ MTM80697 | 1 | 9-Aug-95 | N/A | 2,061.00 | 35.60 | \$206,100 | \$100 | \$0.006 | N/A | N/A | June 2, 1997; May 7, 1998; and Sold June 16, 1999 | Bid did not meet FMV; reoffer requested |
| WY | ¹ WYW128322 | 1 | 18-Sep-96 | N/A | 617.20 | 60.36 | \$6,645,045 | \$10,766 | \$0.110 | N/A | N/A | December 4, 1996; Sold | Bid did not meet FMV; reoffer requested |
| WY | ² WYW128322 | 2 | 4-Dec-96 | 1 | 617.20 | 60.36 | \$9,054,600 | \$14,670 | \$0.150 | Antelope Coal Co. | Antelope | N/A | N/A |
| MT | ³ MTM83859 | 1 | 10-Jan-97 | N/A | 320.00 | 3.52 | \$1,760,000 | \$5,500 | \$0.500 | N/A | N/A | November 13, 1997; Closed | Bid failed to meet FMV; tract reoffered on November 13, 1997 |
| MT | ¹ MTM80697 | 2 | 2-Jul-97 | N/A | 2,061.00 | 35.60 | \$360,675 | \$175 | \$0.010 | N/A | N/A | May 7, 1998; and Sold June 16, 1999 | Bid failed to meet FMV; tract reoffered |
| WY | ¹ WYW127221 | 1 | 29-Jul-97 | N/A | 1,481.93 | 157.61 | \$26,860,000 | \$18,125 | \$0.170 | N/A | N/A | September 25, 1997; Sold | Bid did not meet FMV; reoffer requested |
| WY | ² WYW127221 | 2 | 25-Sep-97 | 1 | 1,481.93 | 157.61 | \$30,576,340 | \$20,633 | \$0.194 | Triton | North Rochelle | N/A | N/A |

| MT | ³ MTM83859 | 2 | 13-Nov-97 | N/A | 320.00 | 3.52 | \$2,464,000 | \$7,700 | \$0.700 | N/A | N/A | Bid Rejected; Closed | Bid failed to meet FMV, applicant not interested in a reoffer, case was closed |
|----|------------------------|---|-----------|-----|----------|--------|---------------|-----------|---------|-------------------------------------|---------------|---|--|
| MT | ¹ MTM80697 | 3 | 7-May-98 | N/A | 2,061.00 | 35.60 | \$2,848,000 | \$1,382 | \$0.080 | N/A | N/A | Sold June 16, 1999 | Bid did not meet FMV; reoffer requested |
| WY | WYW136142 | 1 | 30-Jun-98 | 1 | 4,224.23 | 532.00 | \$109,596,500 | \$25,945 | \$0.206 | Powder River Coal Co. | NARO | N/A | N/A |
| MT | ² MTM080697 | 4 | 16-Jun-99 | 1 | 1,401.00 | 27.60 | \$4,416,000 | \$3,152 | \$0.160 | Western Energy Co. | Rosebud | N/A | N/A |
| WY | WYW136458 | 1 | 1-Oct-98 | 2 | 3,545.50 | 412.00 | \$158,000,009 | \$44,563 | \$0.383 | Arch Coal | Black Thunder | N/A | N/A |
| WY | WYW141435 | 1 | 7-Sep-00 | 1 | 2,818.70 | 275.58 | \$91,220,121 | \$32,363 | \$0.331 | Kenecott Energy | Antelope | N/A | N/A |
| MT | MTM88405 | 1 | 27-Nov-00 | 1 | 150.00 | 15.40 | \$1,740,200 | \$11,601 | \$0.113 | Spring Creek Coal Co. | Spring Creek | N/A | N/A |
| WY | ³ WYW151133 | 1 | 11-Oct-01 | N/A | 243.61 | 31.40 | \$6,443,280 | \$26,449 | \$0.205 | N/A | N/A | October 12, 2001, bid rejected; November 27, 2002, case closed. | Bid failed to meet FMV |
| WY | WYW146744 | 1 | 16-Jan-02 | 2 | 4,982.24 | 537.54 | \$379,504,652 | \$76,171 | \$0.706 | Kenecott Energy | Jacobs Ranch | N/A | N/A |
| WY | WYW154001 | 1 | 29-Jun-04 | 1 | 2,956.73 | 297.47 | \$274,117,684 | \$92,710 | \$0.922 | Peabody-BTU Western Resources, Inc. | NARO | N/A | N/A |
| WY | ¹ WYW150210 | 1 | 31-Aug-04 | N/A | 2,369.38 | 324.63 | \$237,464,650 | \$100,222 | \$0.731 | N/A | N/A | December 29, 2004; Sold | Bid did not meet FMV; reoffer requested |
| WY | WYW150318 | 1 | 22-Sep-04 | 1 | 5,083.50 | 718.72 | \$610,999,950 | \$120,193 | \$0.850 | Ark Land LT Incorporated | Black Thunder | N/A | N/A |
| WY | ¹ WYW151134 | 1 | 27-Oct-04 | N/A | 2,812.51 | 327.19 | \$220,035,392 | \$78,235 | \$0.673 | N/A | N/A | February 16, 2005; Sold | Bid did not meet FMV; reoffer requested |
| WY | WYW151634 | 1 | 17-Nov-04 | 1 | 921.16 | 142.70 | \$42,809,400 | \$46,473 | \$0.300 | Kiewit Mining Group | Buckskin | N/A | N/A |
| WY | WYW151643 | 1 | 15-Dec-04 | 1 | 2,809.13 | 194.96 | \$146,311,000 | \$52,084 | \$0.750 | Antelope Coal Co. | Antelope | N/A | N/A |
| WY | ² WYW150210 | 2 | 29-Dec-04 | 1 | 2,369.38 | 324.63 | \$299,143,785 | \$126,254 | \$0.922 | BTU Western Resources, Inc. | NARO | N/A | N/A |

Federal Coal Lease Sale Information From 1990–2013 for the Powder River Basin—Continued

[For Congresswoman Lummis, July 8, 2013]

| State | Lease Serial Number | Sale No. for Lease | Sale Date | Number of Qualified Bids Received | Acres | Millions of Tons | Bonus Bid Accepted | Value (\$/Acre) | Value (\$/Ton) | Successful Bidder | Associated Mine Name | Date Tract was Reoffered, Sold, or Case Closed | Plans for Reoffering the Tract, No Bid Requested, or Explanation for Not Reoffering |
|-------|-------------------------|--------------------|-----------|-----------------------------------|----------|------------------|--------------------|-----------------|----------------|-----------------------------|----------------------|--|---|
| WY | ² WYWI151134 | 2 | 16-Feb-05 | 2 | 2,812.51 | 327.19 | \$317,697,610 | \$112,959 | \$0.971 | BTU Western Resources, Inc. | School Creek | N/A | N/A |
| MT | MTM094378 | 1 | 17-Apr-07 | 1 | 1,117.70 | 108.60 | \$19,902,200 | \$17,806 | \$0.183 | Spring Creek Coal Co. | Spring Creek | N/A | N/A |
| WY | ¹ WYWI154432 | 1 | 18-Oct-07 | N/A | 445.89 | 54.70 | \$21,001,419 | \$47,100 | \$0.384 | N/A | N/A | March 19, 2008; January 28, 2009; Sold | Bid did not meet FMV; reoffer requested |
| WY | ¹ WYWI74407 | 1 | 29-Nov-07 | N/A | 2,900.24 | 288.10 | \$121,987,050 | \$42,061 | \$0.423 | N/A | N/A | April 22, 2008; Sold | Bid did not meet FMV; reoffer requested |
| WY | WYWI155132 | 1 | 20-Feb-08 | 1 | 1,428.00 | 255.00 | \$180,540,000 | \$126,429 | \$0.708 | Foundation Coal West Inc. | Eagle Butte | N/A | N/A |
| WY | ¹ WYWI154432 | 2 | 19-Mar-08 | N/A | 445.89 | 54.70 | \$43,797,200 | \$98,224 | \$0.801 | N/A | N/A | January 28, 2009; Sold | Bid did not meet FMV; reoffer requested |
| WY | ² WYWI74407 | 2 | 22-Apr-08 | 1 | 2,900.24 | 288.10 | \$250,800,000 | \$86,476 | \$0.871 | Cordero Mining Co. | Cordero Rojo | N/A | N/A |
| WY | ² WYWI154432 | 3 | 28-Jan-09 | 1 | 445.89 | 54.66 | \$48,098,424 | \$107,871 | \$0.880 | Cordero Mining Co. | Cordero Rojo | N/A | N/A |
| WY | WYWI163340 | 1 | 11-May-11 | 1 | 2,837.63 | 350.263 | \$297,723,228 | \$104,920 | \$0.850 | Antelope Coal LLC | Antelope | N/A | N/A |
| WY | WYWI77903 | 1 | 15-Jun-11 | 1 | 1,908.60 | 56.36 | \$49,311,500 | \$25,836 | \$0.875 | Antelope Coal LLC | Antelope | N/A | N/A |
| WY | WYWI161248 | 1 | 13-Jul-11 | 2 | 1,671.03 | 221.73 | \$210,648,060 | \$126,059 | \$0.950 | BTU Western Resources | Caballo | N/A | N/A |
| WY | WYWI72657 | 1 | 17-Aug-11 | 2 | 1,023.99 | 130.20 | \$143,417,404 | \$140,057 | \$1.102 | Alpha Coal West | Belle Ayr | N/A | N/A |
| WY | WYWI74596 | 1 | 14-Dec-11 | 1 | 1,976.69 | 222.68 | \$300,001,012 | \$151,769 | \$1.347 | ARK LAND CO-South | Black Thunder | N/A | N/A |
| WY | ¹ WYWI76095 | 1 | 29-Feb-12 | N/A | 3,243.03 | 401.83 | \$361,647,000 | \$111,515 | \$0.900 | N/A | N/A | May 17, 2012; Sold | Bid failed to meet FMV; tract reoffered |

| | | | | | | | | | | | | | |
|----|-----------------------|---|-----------|---|----------|--------|---------------|-----------|---------|-----------------------|------|-----|-----|
| WY | ² WW176095 | 2 | 17-May-12 | 1 | 3,243.03 | 401.83 | \$446,031,864 | \$137,536 | \$1.110 | BTU Western Resources | MARO | N/A | N/A |
| WY | WW173408 | 1 | 28-Jun-12 | 1 | 6,364.28 | 721.15 | \$793,270,319 | \$124,644 | \$1.100 | BTU Western Resources | MARO | N/A | N/A |

¹ Sales where bids were rejected as insufficient and the tracts were successfully leased later.

² Tracts that were successfully leased after previous bid rejections.

³ Sales where bids were rejected as insufficient and the tracts were not later leased.

Mr. DAINES. All right, thank you. And just to state the fact that this issue, I think, came up earlier. But just looking at the data here, assuming that the fair market value is the fair market value that the American taxpayer is being looked out for, given that the bids that are being accepted are above fair market value. Thank you.

Mr. LAMBORN. Well, that concludes our questioning. Members of the Committee may have additional questions for the record. I would ask that you respond to those in writing.

On a final note, there has been a lot of discussion today about the potential loss of revenues, regardless of the fact that the IG report questioned only $\frac{3}{10}$ of 1 percent of the revenue generated from coal. This is a rate that we would hope every Federal program could emulate.

However, if my colleagues on the other side of the aisle are truly concerned about generating more revenue to the Federal treasury from coal mining, I would urge them to join with me in support of opening more coal mines on Federal and tribal lands. If we really want more revenue from resource development, I stand ready to help develop more of this resource. It not only allows for more revenue to the Federal treasury, but also to local, State, and tribal governments. It provides employment opportunities for many working families and rural communities, and they are high-paying, family wage jobs with benefits.

But to get this revenue, we must stop the Administration's reckless war on jobs and coal, promote more mining, encourage more exports, and stop regulations from this Administration that will kill jobs and revenue, nationwide.

If there is no further business, without objection, the Committee stands adjourned.

[Whereupon, at 3:33 p.m., the Subcommittee was adjourned.]

