

Committee on Natural Resources

Rob Bishop, Chairman
Markup Memo

June 8, 2015

To: All Natural Resources Committee Members

From: Energy and Mineral Resources Subcommittee Staff x5-9297

Subject: Full Committee Markup of H.R. 1992 (Cook), the *American Soda Ash Competitiveness Act*

H.R. 1992, the American Soda Ash Competitiveness Act

Summary of the Bill

On Thursday, April 23, 2015, Congressman Paul Cook (R-CA-8) with seven cosponsors introduced H.R. 1992, the “American Soda Ash Competitiveness Act” to set the royalty rate for soda ash at two percent. The bill was referred to the House Committee on Natural Resources, subcommittee on Energy and Mineral Resources.

Cosponsors

Rep. Cook, Rep. Lummis, Rep. Himes, Rep. Brooks (AL), Rep. Bonamici, Rep. Valadao, Rep. Schrader, Rep. Walters, Rep. Cramer, Rep. Yoder, Rep. Knight, and Rep. Weber.

Background

The “Soda Ash Royalty Reduction Act of 2006” was included in the “National Heritage Areas Act of 2006.” The “Soda Ash Royalty Reduction Act” reduced the royalty on ‘soda ash’ to two percent, the minimum required in the Mineral Leasing Act of 1921.

Prior to the royalty relief legislation being enacted, the U.S. soda ash (sodium carbonate) industry was experiencing increased pressure from state-sponsored Chinese companies (state owned) operating under lax environmental standards, coupled with high domestic royalty rates that ranged between 5 and 8 percent.

Between 1997 (the year after BLM raised the royalty rates) and 2000, China overtook the U.S. as the world’s largest exporter of soda ash. By 2003, the growth in domestic exports had grown by only a few percentage points since 1997, and approximately 1,000 jobs in the domestic soda ash mining industry had been lost.

Between October 2006 and September of 2011, when the 2% royalty rate was in place, the soda ash industry was able to reverse the downward trend in exports, and was able to add jobs during the recession (including 100 in 2010).

From FY 2002-2006 when the rate was 6%, the government collected \$76 million in royalties. From FY 2007-2011 when the royalty rate was reduced back to 2%, the Federal Government took in \$74 million in royalties. This includes the five month period following the 2008 market crash where demand for mineral commodities fell sharply.

In October of 2011, BLM reinstated the 6% royalty – this was a discretionary decision. This had an impact on U.S. exports, “which for January and February of 2012 fell below the average exports for all of 2011.”¹

Congress included a royalty reduction of 4% in the Helium Stewardship Act of 2013 that expires at the end of the current fiscal year.²

H.R. 1992 would return the royalty to a two percent rate for five years, giving the mining industry time to continue growing into foreign markets, and protecting hundreds of good-paying jobs.

The bill is substantially similar to legislation introduced by Representative Lummis and approved by the Natural Resources Committee during the last Congress.

Importance of Soda Ash and its Use

Glass-making consumes about half of soda ash output, followed by the chemical industry, which uses about a quarter of the output. Other uses include soap, paper manufacturing, and water treatment. Aside from the economic benefit, promoting American soda ash is good for the environment. While American soda ash is found naturally, Chinese soda ash is produced synthetically. Chinese synthetic production uses twice the energy which results in over three times the carbon emissions as natural soda ash production.

SEC. 2. REDUCTION OF ROYALTY RATE ON SODA ASH.

Sets the royalty rate for soda ash at two percent.

¹ Testimony of Mr. Edward Flynn on H.R. 1192, “Soda Ash Royalty Extension, Job Creation and Export Enhancement Act,” April 26, 2012

² <https://www.congress.gov/bill/113th-congress/house-bill/527?q=%7B%22search%22%3A%5B%22H.R.+527+Helium+Stewardship+Act%22%5D%7D>

Effect on Current Law

There is no effect on current law.

Cost

Previously CBO estimated the cost could be \$35 to 40 million in royalty payments over a ten year period. However, during the royalty reduction period FY 2007 -2011 the government collected \$2 million less than the previous five year period when the royalty rate was at 6%.

Administration Position

The Administration does not support the legislation, deciding in 2011 to increase the rate to 6%, a rate that had a deleterious effect on the domestic soda ash industry in the late 1990s and early 2000s.

Possible Amendments

The bill has bi-partisan support; however during the markup for H.R. 657, the “American Soda Ash Competiveness Act” in the 113th Congress, two amendments were offered:

- An amendment that would put a two year limitation on the royalty reduction if the Secretary of the Interior had found that there was no increase in production of soda ash and if there was not an increase in employment in the industry; and
- The royalty reduction would not apply to any fiscal year where a deficit occurred.