



**To:** House Committee on Natural Resources Republican Members  
**From:** Subcommittee on Energy and Mineral Resources; Ashley Nichols  
[Ashley.Nichols@mail.house.gov](mailto:Ashley.Nichols@mail.house.gov) (251-656-8498) and Rebecca Konolige -  
[Rebecca.Konolige@mail.house.gov](mailto:Rebecca.Konolige@mail.house.gov) (914-217-8728)  
**Date:** October 25, 2021  
**Subject:** Oversight Hearing: *“The Federal Coal Program: A Bad Deal for Taxpayers and a Threat to Climate”*

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The Subcommittee on Energy and Mineral Resources will hold an oversight hearing titled, *“The Federal Coal Program: A Bad Deal for Taxpayers and a Threat to Climate”* on **Wednesday, October 27, 2021, at 1:00 p.m. EDT** via Cisco Webex.

Member offices are requested to notify **Ashley Nichols** ([Ashley.Nichols@mail.house.gov](mailto:Ashley.Nichols@mail.house.gov)) **no later than Tuesday, October 26, 2021, at 4:30 p.m. EDT**, if their Member intends to participate from his/her laptop in 1324 LHOB or from another location. Submissions for the hearing record must be submitted through the Committee’s electronic repository at [HNRCDOCs@mail.house.gov](mailto:HNRCDOCs@mail.house.gov). Please contact David DeMarco ([David.DeMarco@mail.house.gov](mailto:David.DeMarco@mail.house.gov)) or Everett Winnick ([Everett.Winnick@mail.house.gov](mailto:Everett.Winnick@mail.house.gov)) should any technical difficulties arise.

## I. KEY MESSAGES

- Coal mining is essential to American energy security, providing a reliable source of baseload power and gainful employment for thousands of Americans.
- The Bureau of Land Management (BLM) is responsible for coal leasing on over 570 million acres of federally owned land, primarily in Western states.<sup>1</sup> This continues to be a major source of federal and state revenues. The federal coal program is currently under review by the Department of the Interior.
- Discussion at the hearing will likely include the current leasing process for coal mining, potential environmental considerations, and Democrat-led proposals to limit the capabilities of domestic coal production.

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<sup>1</sup> National Coal Statistics Table, Bureau of Land Management, U.S. Department of the Interior <https://www.blm.gov/programs/energy-and-minerals/coal/coal-data>



## II. WITNESSES

- **Randall Luthi**, Chief Energy Advisor, Office of the Governor, State of Wyoming  
*[Republican witness]*
- **Mr. William Walksalong**, Tribal Administrator, Northern Cheyenne Tribe, Lame Deer, Montana
- **Ms. Jeanie Alderson**, Chair, Northern Plains Resource Council, Birney, Montana
- **Mr. Drew Shindell**, PhD, Nicholas Distinguished Professor of Earth Science, Duke University, Durham, North Carolina

## III. BACKGROUND

### *Bureau of Land Management Coal Program*

BLM is responsible for monitoring coal production to ensure economic recovery of public coal resources and verifying royalty collections through the Office of Natural Resources Revenue (ONRR). Permits and licenses for construction and operation of a mine are regulated by the Office of Surface Mining, Reclamation, and Enforcement, as required by the Surface Mining Control and Reclamation Act of 1977 (SMCRA, 30 U.S.C. 1201 et seq.). While the mineral resources are owned by BLM, surface ownership varies between the BLM, U.S. Forest Service, the states, and private landowners.

Before leases are issued, lessees must pay a bond determined by the BLM to ensure compliance with all lease guidelines. Bonds may include environmental protection provisions and may be changed at the BLM's discretion. Coal leases also require the annual rental payment of no less than \$3 per acre, as well as a royalty (minimum royalty rate is 12.5% for surface produced coal, while underground mining requires an 8% gross value royalty).<sup>2</sup> Under SMCRA, states may achieve primary authority ("primacy") to permit and regulate coal mining within that state if they are able to develop a state-wide program that adequately implements federal regulatory and statutory requirements. Twenty-four states currently have primacy.<sup>3</sup>

### *Contributions of Coal to the American Economy*

Coal has been a major boon to the American economy. Thousands of direct and indirect jobs are supported by the sector, often at much higher salaries than can be found in other industries.<sup>4</sup> In fact, wages for workers in the coal industry can be 60 to 115 percent higher than the average industrial wages in western states with federal coal production.<sup>5</sup> For instance, in 2020, the

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<sup>2</sup> Lease Management, Bureau of Land Management, U.S. Department of the Interior <https://www.blm.gov/programs/energy-and-minerals/coal/lease-management>

<sup>3</sup> Office of Surface Mining Regulation and Enforcement. Frequently Asked Questions. Updated/reviewed April 3, 2020. <https://www.osmre.gov/resources/faqs.shtml>

<sup>4</sup> Testimony of Hal Quinn, President and CEO, National Mining Association before the Committee on Natural Resources, Energy and Mineral Resources Subcommittee. "The Future of the Federal Coal Program." July 11, 2019.

<sup>5</sup> *Id.*

average salary in private industry in Wyoming was \$50,241; coal workers were paid an average of \$91,780.<sup>6</sup> This holds true in the Eastern states as well, with salaries in West Virginia averaging \$47,716 across all industries, while the average in the coal sector was \$85,472 last year.<sup>7</sup> Job creation is not limited to the mines, but supports employment in related industries as well, including transportation, construction, manufacturing, and power generation.<sup>8</sup> Each coal job supports two to four additional jobs.<sup>9</sup> In 2020, 43,730 individuals were employed in the American coal industry.<sup>10</sup>

In 2020, federal coal production generated \$387,036,605 in revenues for the federal government.<sup>11</sup> Like other minerals regulated under the Mineral Leasing Act of 1920, approximately half of the federal revenues are returned to the state where the coal is produced.<sup>12</sup> States go on to use those revenues for critical public services such as education, infrastructure, and public safety.<sup>13</sup> State and local taxes on coal are also large funding sources in many producing states. For example, according to the Wyoming Mining Association, coal contributed \$650 million to the state in taxes, royalties, and fees in 2019.<sup>14</sup>

### *Federal Coal Leasing Moratorium and Upcoming Program Review*

On January 15, 2016, Interior Secretary Jewell initiated a new Programmatic Environmental Impact Statement (PEIS) to consider, among other things, “how to account for the environmental and public health impacts of federal coal production” and whether federal coal royalty rates are at an appropriately high level.<sup>15</sup> The Secretary placed a moratorium on new federal coal leases until such time that the PEIS was completed.<sup>16</sup> This moratorium was subsequently lifted in 2017 by then-Secretary Zinke, who called the proposed PEIS “costly and unnecessary.”<sup>17</sup>

Secretary Zinke’s decision was reversed on April 16, 2021, by current Secretary of the Interior Deb Haaland with Secretarial Order 3398, which directed a new review of the federal coal leasing program.<sup>18</sup> Following this, on August 20, 2021, the Department of the Interior issued a Notice of Intent to conduct a review of the federal coal leasing program and solicit public comment.<sup>19</sup> It is likely that Committee Democrats and environmental groups will advocate for

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<sup>6</sup> National Mining Association. “Annual Coal Mining Wages vs. All Industries, 2020.” [https://nma.org/wp-content/uploads/2020/06/annual\\_coal\\_mining\\_wages\\_20.pdf](https://nma.org/wp-content/uploads/2020/06/annual_coal_mining_wages_20.pdf)

<sup>7</sup> *Id.*

<sup>8</sup> Testimony of Hal Quinn, President and CEO, National Mining Association before the Committee on Natural Resources, Energy and Mineral Resources Subcommittee. “The Future of the Federal Coal Program.” July 11, 2019.

<sup>9</sup> *Id.*

<sup>10</sup> National Mining Association. “NMA - MSHA State Employment And Operations Report.” July 12, 2021.

<sup>11</sup> Federal Revenue Data, Natural Resources Revenue Data, U.S. Department of the Interior. <https://revenuedata.doi.gov/query-data?dataType=Revenue>

<sup>12</sup> Comments of Wyoming Governor Gordon on the Notice of Intent to Conduct a Review of the Federal Coal Leasing Program and To Seek Public Comment (86 Fed. Reg. 46873, Aug. 20, 2021). September 20, 2021

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> U.S. Department of the Interior. Press release. “Secretary Jewell Launches Comprehensive Review of Federal Coal Program.” January 15, 2016. <https://www.doi.gov/pressreleases/secretary-jewell-launches-comprehensive-review-federal-coal-program>

<sup>16</sup> U.S. Department of the Interior. Press release. “Secretary Jewell Launches Comprehensive Review of Federal Coal Program.” January 15, 2016. <https://www.doi.gov/pressreleases/secretary-jewell-launches-comprehensive-review-federal-coal-program>

<sup>17</sup> Dylan Brown. “Zinke ends coal ban, creates panel to review royalties.” E&E News. March 29, 2017. <https://subscriber.politicopro.com/article/eenews/1060052294>

<sup>18</sup> U.S. Department of the Interior. ORDER NO. 3398. April 16, 2021. [https://www.doi.gov/sites/doi.gov/files/elips/documents/so-3398-508\\_0.pdf](https://www.doi.gov/sites/doi.gov/files/elips/documents/so-3398-508_0.pdf)

<sup>19</sup> 86 Federal Register 46873.

the consideration of cumulative climate impacts, higher royalty rates, and stricter bonding requirements in federal coal leases going forward.

### *Abandoned Mines Lands Program*

In recent years, increased regulation by the Obama Administration as well as competition from natural gas has contributed to some mine closures in the United States, leaving thousands out of work. This has also raised concerns about funding for the Abandoned Mine Lands (AML) program, authorized under SMCRA, which is responsible for helping states reclaim mine sites abandoned before the era of modern regulation.<sup>20</sup> Funding for this program is generated by a fee on current coal operations.<sup>21</sup>

The AML reclamation fee was last reauthorized in 2006, when domestic coal production was much higher.<sup>22</sup> In order to continue reclamation work under this program, it is necessary to continue to have a healthy coal industry. To balance lower production trends and the ongoing need for AML cleanup, a bipartisan compromise to lower the fee by 20% and reauthorize it for thirteen years was included in the Bipartisan Infrastructure Framework (BIF).<sup>23</sup> This fee expired on September 30, 2021, and has not yet been reauthorized.

### *Coal Provisions in Budget Reconciliation*

Several harmful policy provisions impacting the coal industry were included in the text of the Committee on Natural Resources Democrats' budget reconciliation bill. These included raising the federal coal royalty rate from 12.5% to 20%, increasing the minimum rental rate to \$100 per acre, and removing flexibility to defer coal bonus payments.<sup>24</sup> If Committee Democrats truly want a fair return for the taxpayer, punitive increases to royalties and fees on the coal industry is not the way to achieve it – such measures are much more likely to result in premature mine closures, accelerated reclamation costs, largescale unemployment in coal communities, and the reduction of federal and state revenues available for public services and environmental remediation goals.

### *Domestic and International Coal Demand*

Committee Democrats and will likely speak about the perceived lack of demand for coal and the supposed inevitability of its phase-out at home and abroad, but that is not the full story. While we have seen changes in our energy mix in recent decades, coal still supplies about 37% of the world's power generation<sup>25</sup> and it is the largest source of power in Asia.<sup>26</sup> Demand in China is on

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<sup>20</sup> See "Energy Act could mean funding for abandoned mines, jobs for West Virginia." July 26, 2021. [https://www.wvnews.com/statejournal/news/energy-act-could-mean-funding-for-abandoned-mines-jobs-for-west-virginia/article\\_a2223bb4-ea32-11eb-95dd-0387d446009a.html](https://www.wvnews.com/statejournal/news/energy-act-could-mean-funding-for-abandoned-mines-jobs-for-west-virginia/article_a2223bb4-ea32-11eb-95dd-0387d446009a.html).

<sup>21</sup> Office of Surface Mining Reclamation and Enforcement. Reclaiming Abandoned Mine Lands. <https://www.osmre.gov/programs/AML.shtm>

<sup>22</sup> Congressional Research Service. "The U.S. Coal Industry: Historical Trends and Recent Developments." August 18, 2017.

[https://www.everycrsreport.com/reports/R44922.html#\\_Toc491267311](https://www.everycrsreport.com/reports/R44922.html#_Toc491267311)

<sup>23</sup> H. R. 3684. 117<sup>th</sup> Congress. Pgs. 1779-1780. [https://www.epw.senate.gov/public/\\_cache/files/e/a/ea1eb2e4-56bd-45f1-a260-9d6ee951bc96/F8A7C77D69BE09151F210EB4DFE872CD.edw21a09.pdf](https://www.epw.senate.gov/public/_cache/files/e/a/ea1eb2e4-56bd-45f1-a260-9d6ee951bc96/F8A7C77D69BE09151F210EB4DFE872CD.edw21a09.pdf)

<sup>24</sup> Committee Print, as Reported by the Committee on Natural Resources. [https://republicans-naturalresources.house.gov/uploadedfiles/committee\\_print\\_as\\_reported\\_by\\_the\\_committee\\_on\\_natural\\_resources.pdf](https://republicans-naturalresources.house.gov/uploadedfiles/committee_print_as_reported_by_the_committee_on_natural_resources.pdf)

<sup>25</sup> International Energy Agency. Coal factsheet. Updated Oct 12, 2021. <https://www.iea.org/fuels-and-technologies/coal>

<sup>26</sup> *Id.*

the rise – last year, China built new coal capacity that more than tripled the new coal power capacity in the rest of the world.<sup>27</sup> To date, the United States has exported 42,839,352 short tons of coal in 2021.<sup>28</sup>

As we head into the winter months, the low-cost, affordable baseload power from coal fired power plants will become especially critical.<sup>29</sup> Energy prices are already high and climbing, and gas prices are at a seven-year high.<sup>30</sup> This energy crisis is being felt worldwide. 80 million European homes now struggle to pay their heating bill, and the situation is expected to get worse.<sup>31</sup> China is seeing an early winter and demand for coal and other fossil fuels is expected to rise rapidly, despite a global shortage of energy resources.<sup>32</sup> There is clearly demand for coal worldwide. Domestic operators should be allowed to produce and export their product as required by the market, and not be hamstrung by overly burdensome regulations, punitive fee levels or moratoriums on production at home.

Additionally, it is important to remember that metallurgical coal – as compared “thermal coal” used primarily for fuel – is a vital component in steel making.<sup>33</sup> As Congress considers major infrastructure legislation, policymakers should endeavor to keep the source material for steel competitive for domestic production.

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<sup>27</sup> “China Dominates 2020 Coal Plant Development.” Global Energy Monitor. Briefing report. February 2021.

<https://globalenergymonitor.org/wp-content/uploads/2021/02/China-Dominates-2020-Coal-Development.pdf>

<sup>28</sup> U.S. Energy Information Administration. Quarterly Coal Report, April - June 2021.

<https://www.eia.gov/coal/production/quarterly/pdf/t7p01p1.pdf>

<sup>29</sup> U.S. Energy Information Administration. “February’s increase in coal-fired electric generation reduced U.S. coal stockpiles.” June 21, 2021.

<https://www.eia.gov/todayinenergy/detail.php?id=48436>

<sup>30</sup> Sarah O’Brien. “Gas prices are at a seven-year high and expected to keep rising. How to save at the pump.” CNBC. October 19, 2021.

<https://www.cnbc.com/2021/10/19/gas-prices-are-at-seven-year-high-how-to-save-at-the-pump.html>

<sup>31</sup> Walé Azeez. “80 million European households struggle to stay warm. Rising energy costs will make the problem worse.” CNN.

October 1, 2021. <https://www.cnn.com/2021/09/30/business/europe-energy-poverty/index.html>

<sup>32</sup> “Early start to China’s winter heating season bullish for gas, coal demand.” S&P Global. <https://www.spglobal.com/platts/en/market-insights/latest-news/lng/101921-early-start-to-chinas-winter-heating-season-bullish-for-gas-coal-demand>

<sup>33</sup> <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/metallurgical-coal-miners-aim-to-stand-out-as-investors-focus-on-climate-issues-57007827>