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Honorable Sally Jewell, Secretary
U.S. Department of the Interior
1849 C Street NW
Washington, DC 20240

Dear Secretary Jewell,

The Institute for Energy Economics and Financial Analysis submits the attached paper in response to your call for comments on reform of the federal coal lease program.

IEEFA has provided extensive comments and analysis of the program in the past, most notably in our 2012 report "The Great Giveaway." Our previous comments have generally been restricted to matters that fit within proscribed program norms. However, the decline of the national and global coal markets, as well as the opportunity offered by the listening sessions, call for a broader analysis and a fresh look at the program.

IEEFA's prescriptions for change in the program flows from this premise: the Department of Interior has never truly had a fair market coal leasing program. What exists instead is an unofficially sanctioned, coal company-dominated partnership between DOI and the coal industry. The Bureau of Land Management (BLM) state offices constitute the department's operational wing of the partnership. They resist outside review and intervention and are unresponsive to market changes.

What is needed now is Secretarial leadership and a new philosophy of active agency management of the Powder River Basin coal reserves.

The long-standing arrangement between DOI and the coal industry provided cheap coal and reasonably healthy balance sheets for the coal industry for several decades. It no longer works.

The coal industry is in a steep structural decline. The nation and its markets are moving away from coal and toward a more diversified energy system. The coal industry, which has been the federal government's partner in the coal production and selling business, has no plan to keep markets organized and in balance. It also has no plan to move the industry forward toward a clean energy future. It is time for the federal government to assert its rights as the owner of the nation's largest coal reserve and begin to exercise both prudent fiscal practices and sound management of natural and energy resources in the Powder River Basin.

IEEFA recommends that DOI take the following actions:

- Enact a moratorium on all coal leasing
- Use the planning tools in the statutes to address the need for market stability
- Take back leases on existing mines that produce low quality coal and assess higher quality mines for financial solvency and overall landscape of potential for distressed sales and bankruptcies.
- Ban all coal exports from the Powder River Basin.
- Reduce royalty payments by half over the next five years in exchange for industry acceptance of the administration's regulatory program on climate, environmental, mine safety, and economic transition
- Establish a research unit at DOI on the coal lease program
- Appeal to the GAO for high risk status for regular audits and/or integrate into the comprehensive climate initiative
- Replace all staff in the State offices of BLM related to the coal leasing program and change the culture of the agency
- Actively pursue the federal government's interest in coal company bankruptcy proceedings
- Spearhead transition opportunities to assist workers and communities

IEEFA recognizes that our recommendations would mean a fundamental shift in the program, and would alter or eliminate many current practices. As the attached paper and our other commentary have made clear, DOI has in the past proven to be quite flexible with law and regulation when it served the interests of the coal industry. We are urging you now to use the same tools to serve the public interest, and, quite frankly to step up and save what is left of the coal industry.

We appreciate the opportunity to have an honest and informed conversation about how to overhaul the federal coal lease program and protect the interests of U.S. taxpayers.

Sincerely,

Thomas Sanzillo
Director of Finance