

2014 Oversight Efforts in PRB: Progress and what next?

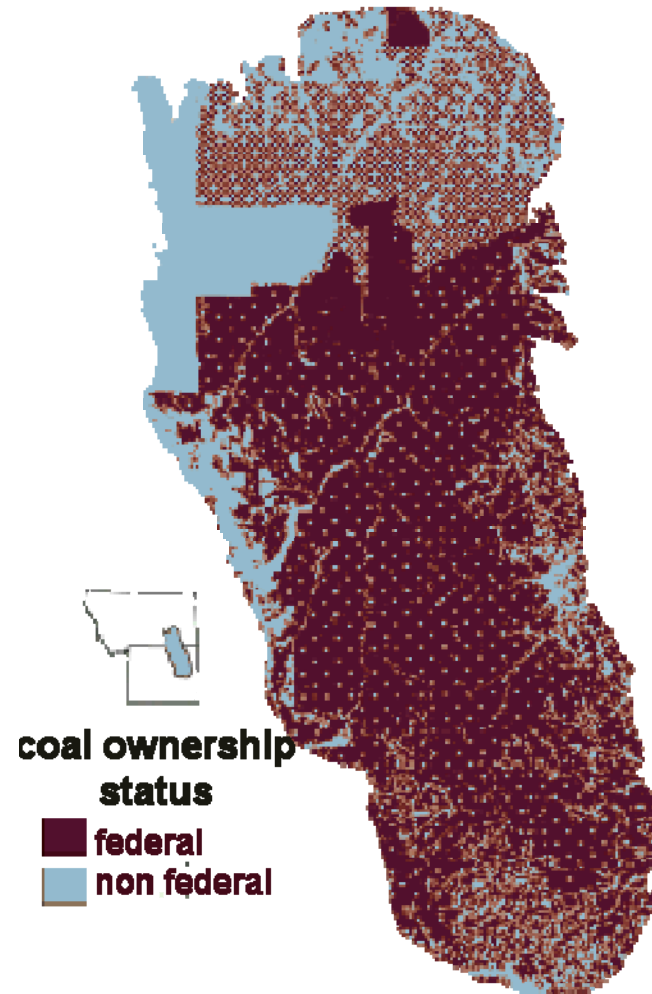


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March 19, 2013

Why the federal lease program?

- More than half of the nation's annual coal production is under federal lease
- It is de facto air, water and climate policy
- Lost value to taxpayers
- Real value charged for coal should assist with environmental goals and collect revenue

PRB Federal Coal Ownership



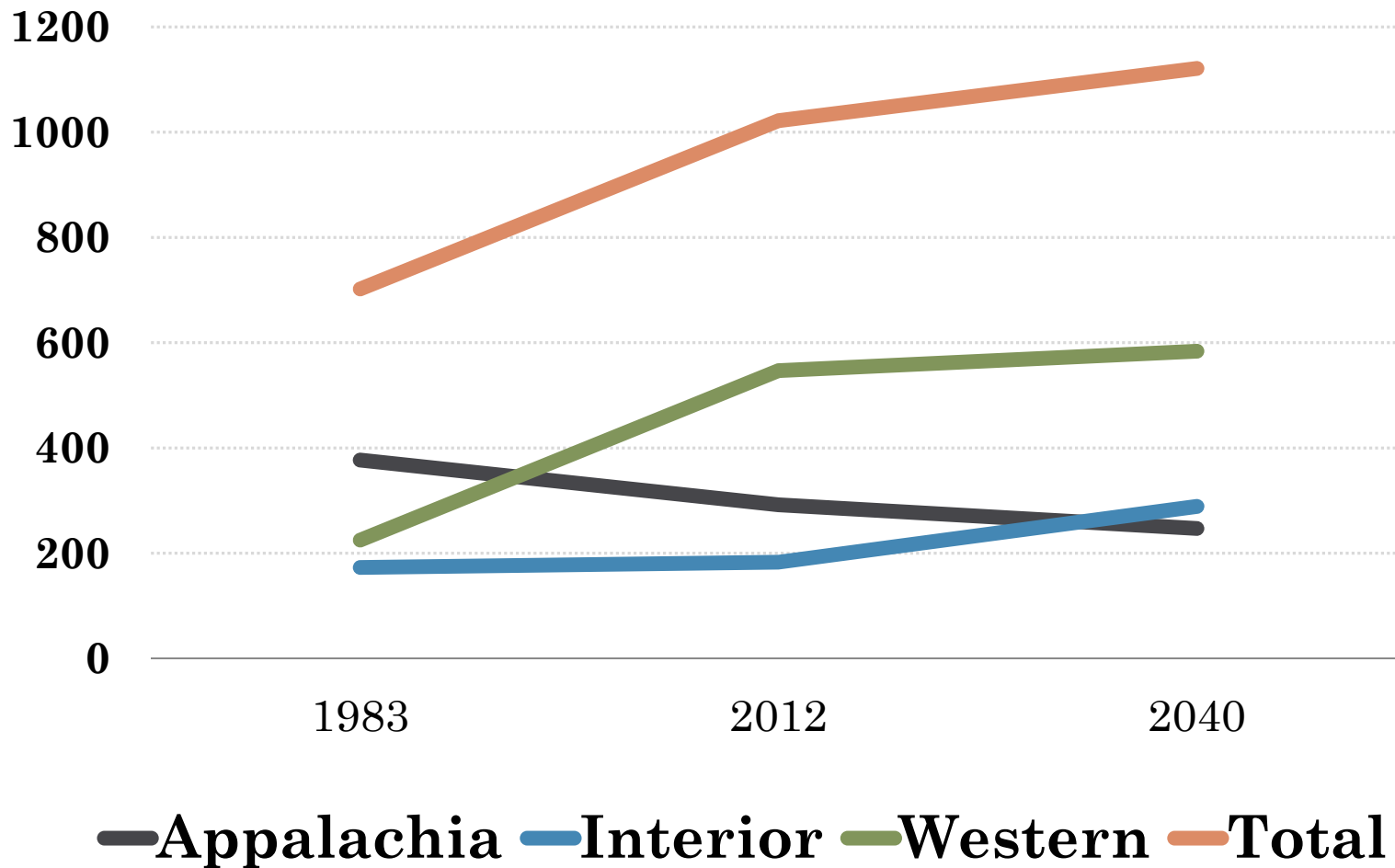
Map source: <http://pubs.usgs.gov/fs/1998/fs012-98/part3.html>

Why oversight of lease program?

	Progress Thus Far
Facts	Verified
Debate	Some
Follow-up	Some
Reform	None

Actual and EIA projected coal production

(million tons)



IEEFA Report Findings

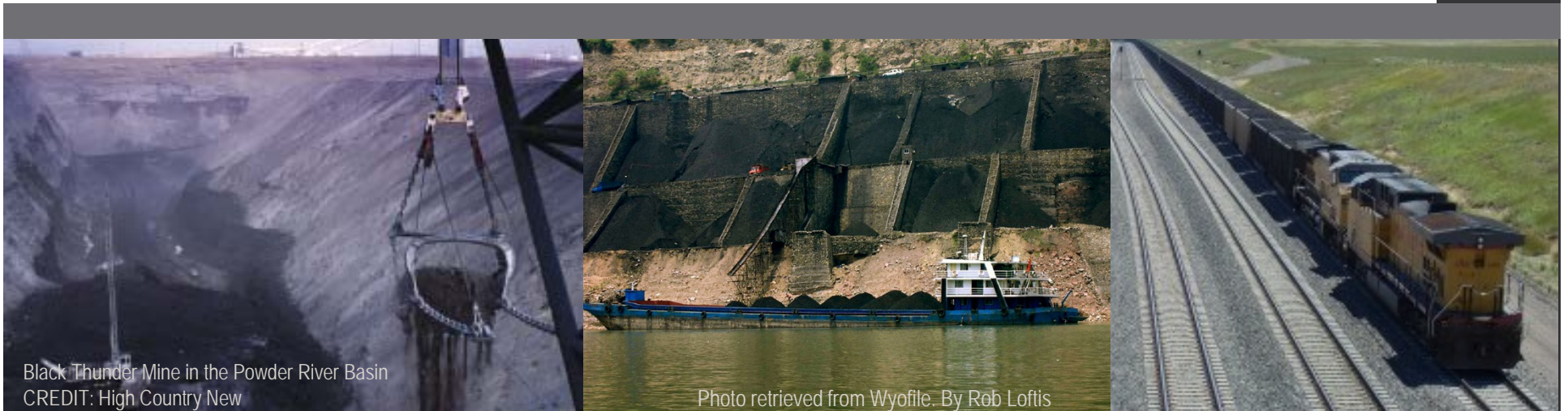
- Fair Market Value
 - No Oversight
 - No Integrity
 - Lost Revenue
 - Market distortion
 - Failure to account for exports



[Full report](#)

External investigation

- Subsequent Thomson Reuters
 - 12.5% Royalty payment due on all coal sold under lease.
 - 12.5% is waived on value of exported coal (above US domestic market price)



So what on royalties

- One Company – Cloud Peak (4.7million tons exported 2013)
- Estimated CP 2013 Royalty waived: ***\$26 million***
- CP 2013 Companywide Profits: \$112 million
 - Profits from Export Activity: ***\$24 million***
- 25% of 2013 profits (direct bottom line impact)
- Estimated CP waiver \$90 million over three years
- 2013 lost about \$100 million off of 20 million tons of exports of leased coal

Oversight results thus far

Inspector General (report and response to Wyden)

- Six violations of statute: 124 million tons of coal
- Two recent instances – Cloud Peak and Peabody objectionable practice – gave away coal below comparable sales – 780 million tons
- No appraisals on 100 million tons
- Conferring with coal companies inappropriately

Oversight thus far

Since 1991 *one employee* in BLM set valuations on \$4.9 billion, 8 billion tons of coal. No audits, no oversight, refusal by BLM to accept internal DOI review

- *Direct explicit statement that the Secretary of the Interior does not control the program*

Wyden's staff – 15 leases in early 1990's

- More coal actually mined than estimated in the leases

Oversight thus far

- No consideration of exports in FMV
- All call for end to practice of withholding information from public on bids after the process
 - GAO performed two audits – one confidential and one public
 - Public confirmed weaknesses in FMV program (weak)
 - Markey said confidential audit should be released, lost revenue

Oversight thus far

- Observations
 - FMV lacks integrity, revenue is lost
 - Royalties go uncollected on export sales
 - BLM hostile to oversight
 - Continued effort to hide information by BLM
 - GAO most flawed
 - Congress should not accept it
 - IG best response
- Potential for Reform

What is next?

Last two leases, companies did not bid – cited reasons, market conditions

- A moratorium to consider policy issues would not have a negative impact on coal needs of US

Secretary Jewell has task force on Royalties

Secretary Jewell owes response to Markey on GAO audit

IG continues work – royalty related work