

Center for Biological Diversity – Chesapeake Climate Action Network – Citizens for a Clean Harbor – Climate Solutions
Columbia Riverkeeper – CREDO Action – Friends of the Columbia Gorge – Friends of the Earth – Friends of Grays Harbor
Fuse Washington – Greenpeace – Missourians Organizing for Reform and Empowerment – Montana Environmental Information Center
Natural Resources Defense Council – Oregon Physicians for Social Responsibility – Physicians for Social Responsibility
Public Citizen – Rainforest Action Network – Sierra Club – Waterkeeper Alliance – Western Organization of Resource Councils
WildEarth Guardians – 350.org

25 June 2012

The Honorable Ken Salazar
Secretary of the Interior
18th and C Streets, NW
Washington, DC 20240

Dear Secretary Salazar,

Given the coal industry’s plans to dramatically expand exports of taxpayer-owned coal from the Powder River Basin, we call on the BLM and the Department of Interior to suspend the June 28th North Porcupine auction and to undertake a comprehensive review of the federal coal leasing program.

BLM is operating with the assumption that coal mined in the North Porcupine tract - and other coal auctions - will serve domestic energy customers. While the BLM assumes domestic use of the auctioned coal, coal companies like Peabody envision a major increase in exports of this coal. Peabody CEO Gregory Boyce told investors last year that Peabody could make more money selling Powder River Basin coal if it is able to export it to Asian markets: “We see the long-term export potential, particularly with the developments at the Gateway Pacific Terminal and the increasing environmental rules in the U.S. as to, once again, provide potential uplift for PRB in terms of volumes and margins.”¹ At the same time, U.S. coal consumption is declining rapidly. Coal currently accounts for only 34% of the electricity generated in the U.S., down from 57% in 1985. The Energy Information Administration estimates a 14% decline in domestic coal use in 2012.

In 2009 you told the world during the Copenhagen climate negotiations, “Carbon pollution is putting our world – and our way of life – in peril.” The BLM and Department of Interior are ignoring the enormous amounts of carbon pollution that result from leasing this taxpayer-owned coal. In just the last year, BLM has auctioned six leases that total 1.33 billion tons of coal, which will mean over 2 billion metric tons of direct CO2 emissions when burned, not including emissions from mining and transporting the coal. Leasing an additional 721 million tons of coal from the North Porcupine tract – enough to fill 6.5 million train cars – would add another 1.1 billion metric tons of CO2 emissions. This lease alone could lead to more than ten times the CO2 emissions than the amount the federal government expects to reduce from its own emissions by 2020 under President Obama’s Executive Order 13514.

Currently, coal companies are able to secure taxpayer-owned coal from federal lands for artificially low prices, such as the \$1.11 per ton Peabody paid for the South Porcupine tract, and fetch premium prices in overseas markets, often between \$80-122 per ton. Absent a significant reform of the coal leasing process, Americans are delivering a massive subsidy to a handful of coal companies and putting the health of their own communities at risk. It is clear that coal companies like Peabody are not seeking new coal leases in the Powder River Basin simply to serve American demand.

The public deserves to know the U.S. government’s plans to address concerns about setting the fair market value of this taxpayer-owned coal in the context of changing coal markets; impacts of coal exports particularly in the Pacific Northwest but also other parts of the country; and the greenhouse gases that will be emitted by the mining, transportation, and burning of this coal. We call on the BLM and the Department of Interior to suspend the North Porcupine auction, and undertake a comprehensive review of the federal coal leasing program.

Sincerely,

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Sierra Club
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cc: Congressman Ed Markey
Senator Ron Wyden
Governor Christine Gregoire
Governor John Kitzhaber
Nancy Sutley, Council on Environmental Quality
James B. Martin, EPA Administrator, Region 8
Dennis McLerran, EPA Administrator, Region 10

APPENDIX:

On June 28, 2012, the Bureau of Land Management (BLM) is scheduled to hold an auction for an estimated 721 million tons of taxpayer-owned coal found in the North Porcupine tract located in Wyoming. This auction follows Peabody's acquisition of the South Porcupine tract in May – an estimated 402 million tons of coal – for a mere \$1.11 per ton. Peabody was the sole bidder for the tract, a common theme with most “Lease by Application” (LBA) auctions, which allowed for a U.S. taxpayer-subsidized expansion of the company's North Antelope Rochelle mine, one of the largest coal mines in the United States.

BLM Inaccurately Assumes Domestic Usage of Coal from Powder River Basin Auctions

In the Record of Decision² for this lease, the BLM High Plains Manager stated:

...it is in the public interest to offer the North Porcupine LBA tract... for competitive sale so that these reserves are available to compete for sale in the open coal market to meet the national coal demand that is expected to exist until at least 2035. **The public interest is served by leasing the North Porcupine LBA tract because doing so provides a reliable, continuous supply of stable and affordable energy for consumers throughout the country.**

Exporting PRB coal out of the Pacific Northwest is hotly contested by citizens concerned about associated health, environmental, and economic impacts associated with major new infrastructure development. Coal dust and diesel pollution from massively increased train traffic can cause respiratory illness in communities throughout the region. Coal trains and barges passing through the Columbia River Gorge National Scenic Area will put threatened species such as the Chinook Salmon at risk. It is no surprise, then, that over 17,000 Oregonians and 40,000 Washingtonians have called on public officials to put the brakes on new export terminals.

In response to a lawsuit focused on BLM's failure to account for the greenhouse gas emissions of new coal leases, a BLM spokesperson told the Associated Press, “We recognize that it's going to be burned; we just don't know where it's going to be burned.”³ Coal mining companies, however, have a clear vision of where they hope this coal will be burned, and it is not to serve declining national demand.

An unprecedented surge in coal exports, with coal stripped from federal lands, will net large profits for coal mining companies and deliver serious health and environmental risks to the public. Under a business-as-usual scenario, new coal leases will not serve the interests of the American people, but rather will subsidize the export of coal at the expense of their health and financial welfare.

Public Officials are Calling for a Re-Evaluation of PRB Leasing Practices

In light of a recent surge in U.S. coal exports, and plans to further expand exports through Oregon and Washington, public officials are calling for a re-evaluation of the coal leasing process.

Congressman Ed Markey (D-MA), Ranking Member of the House Committee on Natural Resources, has requested a Government Accountability Office examination of federal coal leasing practices, insisting that, “American taxpayers must be assured they are receiving the full value for energy resources held in the public trust, especially when mining companies are seeking to export hundreds of millions of tons of coal for premium prices.”⁴ Rep. Markey and Senator Ron Wyden (D-OR) have also called on President Obama to use existing authority to limit fossil fuel exports.⁵ Their letter states:

U.S. coal exports hit 107 million tons in 2011, a 20-year high. Pending proposals for additional coal export terminals in the Pacific Northwest alone could lead to a doubling of total coal exports, primarily serving companies mining on public lands in Montana and Wyoming. This has significant implications for Federal coal leasing policies and will result in additional environmental impacts associated with the mining, transportation, and

consumption of these coal resources.

Additionally, state officials are also calling for an examination of leasing and export practices. Oregon Governor John Kitzhaber sent a letter to the Army Corps of Engineers, BLM, and the Department of Interior stating that a programmatic environmental impact statement “must be prepared before regulatory or additional coal leasing decisions are made.”⁶ The Washington Department of Ecology commented on the South Hilight lease in May 2011 and asked for a supplemental EIS to evaluate the shipping impacts via the Northwest, a request that the BLM and Interior ignored. In October 2011, in comments on the Wright Area coal lease, the Washington Department of Ecology and Oregon Department of Environmental Quality similarly requested a supplemental EIS due to the plans to export this coal via the proposed Northwest ports.

Peabody Energy CEO discusses Q2 2011 Results - Earnings Call Transcript Q&A, July 19 2011

<http://seekingalpha.com/article/280316-peabody-energy-s-ceo-discusses-q2-2011-results-earnings-call-transcript?part=qanda>

²Record of Decision Environmental Impact Statement for the South Porcupine Coal Lease Application, BLM Wyoming State office, August 2011 <http://www.blm.gov/pgdata/etc/medialib/blm/wy/information/NEPA/hpdo/Wright-Coal/s-porcupine.Par.96234.File.dat/S-PorcROD.pdf>

³Federal coal sales in Powder River Basin draw suit, Associated Press, May 4 2012 <http://www.businessweek.com/ap/2012-05/D9UHUSK84.htm>

⁴Markey letter requesting GAO report on federal coal leasing practices, April 24 2012

http://democrats.naturalresources.house.gov/sites/democrats.naturalresources.house.gov/files/documents/2012-04-24_GAO_Coal_Exports.pdf

⁵Markey-Wyden fossil fuel exports letter to President Obama, May 31 2012

http://democrats.naturalresources.house.gov/sites/democrats.naturalresources.house.gov/files/documents/2012-05-31_Markey_Wyden_EPCA.pdf

⁶Governor Kitzhaber letter to DOI, BLM, Army Corps of Engineers, April 25 2012

http://governor.oregon.gov/Gov/docs/042512_McHughSalazarCoallLetter.pdf