

Climate Solutions – Columbia Riverkeeper – Friends of the Columbia Gorge - Greenpeace – Northern Plains Resource Council – Oregon Rural Action – Rainforest Action Network – Sierra Club - WildEarth Guardians – Western Organization of Resource Councils

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Dr. Bhappu,

Ambre Energy shareholders have recently approved a deal that will allow your firm, Resource Capital Funds, to take majority control of the company. As you increase your interest in this company and its controversial coal export proposals, you should expect increased scrutiny. We urge you to heed the environmental, financial, and reputational risks of developing coal export terminals and mines and withdraw your investment in Ambre Energy Limited.

Ambre Energy's proposed coal export terminals in the Pacific Northwest would create health and environmental impacts that cannot be mitigated. Public opposition to these projects, already unprecedented, continues to grow throughout the region, creating significant political, legal, and regulatory challenges to their execution.

Goldman Sachs recently withdrew its investment in Carrix, the company behind the proposed Gateway Pacific Terminal, six months after releasing a report titled, "The window for thermal coal investment is closing<sup>i</sup>." The emerging Wall Street consensus is that coal exports are a risky bet<sup>ii</sup>. And beyond financial losses, your firm could face significant long-term reputational risks by association with these highly controversial projects.

### **Unacceptable health and environmental impacts**

Ambre Energy's proposed export facilities along the Columbia River, Morrow Pacific Project and Millennium Bulk Terminal, would cause significant, harmful impacts to the air, water, marine environment, fish and wildlife, economics, public health, culture, and communities across our region. Many of these impacts cannot be mitigated, including:

- *Mining impacts:* The owners of surface mines in the harsh, semi-arid climate of the Northern Great Plains, including Ambre Energy, have failed to demonstrate convincingly that they can comply with the law. Very little mined land has met the federal reclamation law's requirements as measured by acres released from final phase reclamation bonds<sup>iii</sup>. Surface water, springs, and shallow aquifers essential to livestock and wildlife are disrupted and degraded, undermining the long term economic viability of mined areas. Particulates and pollution from blasting and dust generated by huge surface mines cloud the crystalline vistas of the western landscape, and compromise the health of humans and animals.
- *Transportation impacts:* Dozens of communities and sensitive ecosystems would be impacted by Ambre Energy's plan to transport coal from the Powder River Basin to its proposed export terminals. Coal train traffic negatively impacts the health of local communities by increasing levels of coal dust and diesel pollution<sup>iv</sup>. Railroad studies estimate that each car on a train can lose up to one pound of coal dust per mile on the way to the ports<sup>v</sup>. The export route would cut through sensitive ecosystems, such as the Columbia River Gorge, which are already suffering from previous industrial development, climate change, and high mercury levels. These areas are home to several species of endangered or threatened salmon which would be further impacted by the increase in coal train and barge traffic.
- *Impacts to the climate:* If constructed, the Morrow Pacific and Millennium Bulk Terminals could export up to 52 million tons of coal per year, releasing the equivalent of the annual carbon dioxide emissions of 18 million cars when burned<sup>vi</sup>. Recent extreme droughts, superstorms like Sandy and Haiyan, and the beetle kill of our

forests offer a glimpse into the dangers of a warming world and the need for urgent action. New coal infrastructure projects take us a step backward, undermining existing efforts in the US to cut carbon emissions and build a clean energy economy.

### **Unprecedented public opposition**

The Washington Department of Ecology and Army Corps of Engineers recently collected an unprecedented 209,000 public comments on Ambre Energy's proposed Millennium Bulk terminal in Longview, Washington. Concerned parties ranged from elected officials and tribal governments to Montana ranchers and Beijing residents. Washington State is likely to respond with a thorough scope for its EIS, as it did for the proposed Gateway Pacific Terminal near Bellingham, Washington.

On the other side of the Columbia River, Ambre Energy's Morrow Pacific Project has suffered six permitting delays, as the company continues to fail to provide adequate information to the Department of State Lands<sup>vii</sup>. Resource Capital Funds extended its internal permitting deadline for Morrow Pacific from 2013 to 2015<sup>viii</sup>, but there's no reason to assume the project will be fully permitted on that timeline. After Ambre Energy was caught misleading local governments and communities about the scale of its proposed Longview terminal<sup>ix</sup>, the public is demanding a full disclosure of the projects' risks before any permitting decisions are made.

Ambre Energy, and RCF's investors, may like to see Morrow Pacific permitted in short order. But Oregon's Governor Kitzhaber recently made it clear that this process will be dictated by a transparent accounting of the facts, not your own timelines, stating, "*Oregon will continue to press for a national debate so we make a conscious decision about our energy future rather than leaving critical questions up to the whims of investors and speculators who are removed from the practical and moral implications of climate change.*"<sup>x</sup>

### **Challenges to existing coal infrastructure**

Further inland, Ambre Energy's export-oriented Decker coal mine will face additional challenges in the coming years. The company is seeking to expand Decker's assets through a 40 million ton Lease Modification Application (LMA). However, the Department of Interior's (DOI) coal leasing program is currently under multiple federal investigations to determine whether taxpayers are getting a fair return on leases and royalties, the first of which – conducted by DOI itself - revealed serious flaws in the LMA process:

*We found, however, that BLM might not be obtaining a fair return for lease modifications. Some BLM state offices did not prepare a full FMV appraisal as required by 43 C.F.R. § 3432.2. Our sample of 11 modifications for 4 state offices disclosed inconsistencies in the supporting documentation, often making it difficult to assess whether the FMV determination was properly justified... We analyzed all 45 lease modifications since 2000 and found that BLM typically approved a substantially lower price—averaging more than 80 percent lower—than the price used in the regular lease sales during the same period<sup>xi</sup>.*

Likely upcoming changes to the coal leasing program or royalty rates will blunt Ambre Energy's strategy to "*take competitive advantage of an undervalued US coal market.*"<sup>xii</sup> Concerned citizens and organizations are working to ensure DOI implements these necessary policy reforms. More than 30,000 people have submitted comments on Decker's LMA, and the heads of 21 organizations have called for a moratorium on federal coal leasing until major programmatic reforms in federal coal management can be implemented<sup>xiii</sup>.

Ambre Energy also risks raising the ire of state governments looking to protect their own tax base. Its June 2012 Annual Report includes a note on "Contingent Liability" (Note 29), which discloses that if Ambre Energy were to default, it is under-bonded by some \$36 million dollars on its obligations at the Decker and Black Butte coal mines<sup>xiv</sup>. Given Ambre's failure to attract the necessary \$70 million to buy Cloud Peak's bonds for Decker, additional public scrutiny may present unwelcome challenges.

Ambre Energy's coal export proposals present serious risks to the environment and communities in the Pacific Northwest and Interior West. But as the controversies around these proposals grow, so will the risks to your

investment and your reputation. We urge you to withdraw your investment from Ambre Energy and look forward to your response within two weeks.

Sincerely,

Gregg Small  
Executive Director  
Climate Solutions

Brett VandenHeuvel  
Executive Director  
Columbia Riverkeeper

Kevin Gorman  
Executive Director  
Friends of the Columbia Gorge

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<sup>i</sup> "The window for thermal coal investment is closing." Goldman Sachs Commodities Research, July 2013. Available here: [http://thinkprogress.org/wp-content/uploads/2013/08/GS\\_Rocks\\_\\_Ores\\_-\\_Thermal\\_Coal\\_July\\_2013.pdf](http://thinkprogress.org/wp-content/uploads/2013/08/GS_Rocks__Ores_-_Thermal_Coal_July_2013.pdf)

<sup>ii</sup> <http://climatesolutions.org/cs-journal/the-end-is-nigh>, <http://daily.sightline.org/2014/01/08/the-wall-street-consensus-coal-exports-are-risky-business/>

<sup>iii</sup> *Office of Surface Mining and Reclamation Enforcement Annual Evaluation Report for the Regulatory Program Administered by the Department of Environmental Quality Land Quality Division of Wyoming. Evaluation Year 2013, October, 2013. p ii and Office of Surface Mining and Reclamation Enforcement Annual Evaluation Report for the Regulatory Program Administered by the Department of Environmental Quality, Industrial and Energy Minerals Bureau, of Montana. Evaluation year 2013, October 2013. p iii.*

<sup>iv</sup> See a statement by the local physicians of Whatcom county: Whatcom Docs Position Statement on Coal Shipments to Cherry Point. <http://www.coaltrainfacts.org/whatcom-docs-position-statement-and-appendices>

<sup>v</sup> This statement was found on the website of BNSF on 15 March 2011, but the website has subsequently been modified to include no quantitative information on the amount of dust. An archived version of the website before the modification is found at <http://web.archive.org/web/20110315174444/http://www.bnsf.com/customers/what-can-i-ship/coal/coal-dust.html>.

<sup>vi</sup> Assumes Powder River Basin coal generates 8500btu/lb and that one million btus generates 212.7 lbs CO<sub>2</sub>, in line with EIA estimates EIA [http://www.eia.gov/coal/production/quarterly/co2\\_article/co2.html](http://www.eia.gov/coal/production/quarterly/co2_article/co2.html)

<sup>vii</sup> <http://earthfix.opb.org/energy/article/more-delays-possible-for-the-murrow-pacific-projec/>

<sup>viii</sup> [http://www.ambreenergy.com/FileLibrary/ambre\\_energy\\_report\\_6\\_mths\\_to\\_31dec2012\\_final.pdf](http://www.ambreenergy.com/FileLibrary/ambre_energy_report_6_mths_to_31dec2012_final.pdf)

<sup>ix</sup> [http://www.nytimes.com/2011/02/15/us/15coal.html?\\_r=4](http://www.nytimes.com/2011/02/15/us/15coal.html?_r=4)

<sup>x</sup> Governor Kitzhaber's speech at the Climate Solutions Annual Dinner. November 20, 2013

<sup>xi</sup> OIG Report No. CR-EV-BLM-0001-2012, "Coal Management Program, U.S. Department of the Interior" (June 11, 2013).

<sup>xii</sup> Confidential prospectus obtained by Reuters. <http://www.reuters.com/article/2012/10/18/us-coal-exports-idUSBRE89H0CI20121018?feedType=RSS&feedName=businessNews>

<sup>xiii</sup> <http://www.greenpeace.org/usa/Global/usa/planet3/PDFs/Coal/SecJewell.pdf>

<sup>xiv</sup> [http://www.ambreenergy.com/FileLibrary/ambre\\_energy\\_report\\_6\\_mths\\_to\\_31dec2012\\_final.pdf](http://www.ambreenergy.com/FileLibrary/ambre_energy_report_6_mths_to_31dec2012_final.pdf)