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STATEMENT OF
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BEFORE THE

SUBCOMMITTEE ON MINES AND MINING
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

Mr. Chairman and members of the Subcommittee:

We welcome the opportunity to appear before this Subcommittee to discuss [Federal coal leasing]. My testimony is based on a GAO study and report, which is being issued today, entitled "Issues Facing the Future of Federal Coal Leasing." This report brings to the attention of the Congress and the Administration issues which we believe have or may have significant adverse effects on the development and implementation of a sound Federal coal management program and the use of Federal and non-Federal Western coal in meeting America's energy needs. Its basic purpose is to provide a framework for understanding the broad range of coal leasing issues by identifying and sorting out the more significant questions which face the future of coal on Federal lands.

That framework consists of the following six questions:

--How should Federal coal leasing goals and policies be balanced with interrelated and often conflicting



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national environmental, socio-economic, and economic objectives?

- How well are the two Departments--Energy and Interior--working together in establishing and implementing goals and regulations to "make it all happen"?
- What, realistically, is the production potential of coal already under lease--in view of the many legal, economic, environmental, and other factors affecting its development?
- How should Interior better tie together its determinations on the amount of unleased coal available to meet future needs with on-going land use planning and coal exploration programs?
- How should Interior proceed in identifying, evaluating, and selling specific lease tracts?
- How can Energy and Interior improve lease management to encourage the timely and orderly development of coal?

As you know, on June 4, 1979, the Secretary of the Interior announced a new Federal coal management program, calling for a resumption of competitive leasing for the first time since a moratorium was imposed in 1971. Leasing is to take place beginning in January 1981. However, as our report points out, many questions relating to coal leasing remain unanswered, some of which we believe need to be resolved before any further long-term leasing can take place. Others can be worked out during the early stages of the new leasing program.

We believe that--as a minimum--the Secretary of the Interior needs to take the following actions before new long-term leasing can be resumed.

- An analysis needs to be made of the production potential of existing leases--in view of the many economic, environmental, and other problems associated with their likely development. This is necessary to give a better fix on how much coal needs to be made available to satisfy demand under the emerging program.
- Interior, in initially developing its comprehensive land use plans, needs to consider coal production goals--as well as demand estimates for other resources--to help make judgments on land use alternatives and foster an appropriate balancing of energy goals with environmental and socio-economic goals. This is particularly important because land use plans developed over the next several years will affect the level of resource usage on Federal lands--whether recreation, wildlife timber, coal, or whatever--for the remainder of this century and beyond.
- Interior needs to evaluate the impact of the surface owner consent requirement--and decide how to implement it--since this will affect the economics and thus the ultimate leasability of proposed new tracts.
- Final regulations are needed specifying (1) how maximum economic recovery determinations will be made, and (2) what factors will be considered in establishing logical mining units. These determinations are essential for potential developers in knowing how to respond to the nomination process for new leases as well as in considering the implications of the rules for existing leases.

I want to say that we do not want to see implementation of the program delayed and believe, in fact, that not to take these actions--at least in the long run (recall NRDC vs. Hughes)--could cause the greater delay. We see no reason why the four actions we're recommending--given proper

priority by the Interior Department--cannot be accomplished in time for the Secretary to be in a position to fulfill his announced plan to hold the first lease sale in January of 1981.

I'd like to emphasize for a moment in some more depth on our first two recommendations since the first one holds the key to setting coal production and leasing targets and getting on with new leasing by January 1981 and the second one--involving land use plans--is a key factor in identifying lands for leasing in 1984 and beyond.

Concerning the production potential of existing leases, Interior's estimate of over 17 billion tons of coal under such leases sounds--on the surface--like a lot. And, as you know, this was one of the key considerations in the NRDC vs. Hughes case. The court determined that the 1975 environmental impact statement describing the previous leasing program was inadequate because it did not consider alternatives to leasing--particularly a no-action alternative--in light of the 17 billion tons that were already under lease. Further, the amount of coal under lease plays a critical role in the Department of Energy's production goals as well as in Interior's leasing targets--both of which are to guide decisions to lease sufficient coal to meet demand.

I'd like to point out, however, that this 17 billion ton figure could be misleading because a substantial portion--no one knows at this time how much--may not be mineable for a variety of environmental, economic, and legal reasons. It is important to note that the vast majority of these leases were issued before the Surface Mining Control and Reclamation Act and other laws and regulations which change the ground rules--and make many land areas environmentally unsuitable for mining. Much of what remains may not be the best coal to mine or coal that meets the particular demands of the market place. Even if good coal is environmentally minable, it may not be economically mineable for various and sundry reasons--including accessibility to transportation, too costly to mine, and so on.

What this all means--the bottom line in our opinion--is that Interior really ought to take another look at existing leases as a basis for planning for new leasing. Interior--in responding to our draft report--expressed a reluctance to do this. They plan instead to rely on the submission of mining plans to get them this information. We feel this approach has some major flaws. First, it will make it difficult to know whether Interior's 1981 leasing targets will make enough coal available to meet demand in the 1985 to 1990 time frame. In other words, some of the

coal which Interior estimates will be available to meet demand in that time frame is based on (1) mine plans which may have to be modified substantially on environmental--particularly in terms of the unsuitability criteria--economic, or engineering grounds, which could mean up to 2 years before approval by Interior, or (2) leases for which mine plans have not yet been submitted. In this latter case, the eventual submission of mine plans--and any modification and approval by Interior--may come too late to really know whether the 1981 leasing targets will actually make available enough coal.

Concerning our recommendation of the need to consider coal production goals in land use planning, I'd like to emphasize first of all that we aren't proposing that Interior scrap land use planning. We do believe that coal production goals ought to be considered in that initial cut of land use planning in order to give it a fair shake in land use planning. If this is not done much of the best coal may drop out of the initial screening process without adequate consideration of its true potential.

The process Interior plans to follow under its new coal management program involves four screens, and these constitute the principal coal resource decisions in land use planning. These decisions will determine which areas in the plans are acceptable for coal leasing.

- First, areas would be eliminated if they don't have high to moderate coal potential on the basis of Government-prepared coal maps and other analysis;
- Additional coal lands would be eliminated if they are judged unsuitable for surface mining under Interior's unsuitability criteria;
- Other coal lands may be eliminated on the grounds of multiple-use decisions, if other Federal resource values are determined to be superior to coal; and
- Additional coal lands could be eliminated following Government consultation--as authorized by the Surface Mining Act--with qualified owners of private surfaces over Federal coal in areas where the coal would be surface mined.

Interior, again in responding to our draft report, rejected this recommendation on the grounds that it would bias land use plans in favor of coal and, in effect, cause an end to objective land use planning. We see it differently. In fact, we don't understand how sound multiple use planning--for which Interior is responsible--can be achieved by ignoring the value of coal, or for that matter other resources in making tradeoff decisions. It's for this reason that the use of coal production goals and values should be considered in the process.

While we have highlighted these particular issues because of their importance in connection with resumption of long-term leasing, our report also addresses other concerns--many equally or more significant in terms of their potential

impact in determining the role coal will play in meeting the future energy needs of the Nation. We make recommendations to both the Secretary of Interior and the Secretary of Energy --as well as recommendations for close oversight by the Congress in the implementation stages of the new program. These generally have to do with the following:

- Effectiveness of Federal policies to assure a proper balance between the Nations' interrelated coal production, environmental, social, and economic objectives.
- Workability of retaining the split responsibilities between Energy and Interior. A case in point is the manner in which Energy's coal production goals will be used to develop Interior's leasing targets and schedules and the feasibility of this approach in light of differing agency perceptions and objectives. Actions by Interior and Energy on recommendations GAO made in a recent report, "Federal Leasing Policy--Is the Split Responsibility Working?" issued June 4, 1979, should be closely monitored.
- Effectiveness of the Leasing Liaison Committee-- as well as the newly established working group on production goals and leasing targets--in ironing out differences between departmental objectives and regulatory policies.
- Interrelationships between Interior's coal leasing and land use planning and coal exploration programs.
- Feasibility of streamlining the permitting and public participation processes to avoid production delays and duplications of effort.
- Clarification or revision of certain statutory requirements which, in their present form, have potential for adverse impact on balancing multiple goals and achieving timely and orderly development. These requirements include maximum

economic recovery, logical mining unit formation, diligent development, 40-year mine life, and minimum royalty.

--Feasibility of a general lease exchange authority.

--Feasibility of short-term non-competitive leasing (e.g., bypass or emergency leases).

--Implementation of the surface owner consent requirement.

We believe a program such as this that will impact on national welfare for decades to come should be subject to close scrutiny during the early development stages. This will increase its chances for success in the long-run and, hopefully, prevent delays such as those encountered during the last decade.

Overall, we believe early consideration and resolution of issues identified in this report will result in a coal management program that responds to national needs in an expeditious and effective way.

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Mr. Chairman, this concludes my statement. We will be happy to answer any questions the Subcommittee might have.