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STATEMENT OF
JOHN W. SPRAGUE
ASSOCIATE DIRECTOR
ENERGY AND MINERALS DIVISION
BEFORE THE

SUBCOMMITTEE ON MINES AND MINING
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
UNITED STATES HOUSE OR REPRESENTATIVES
CONCERNING FEDERAL COAL LEASING

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Mr. Chairman and members of the Subcommittee:

We welcome the opportunity to appear before this subcommittee to discuss Federal Coal Leasing. My testimony follows up on our June 25 testimony on the Federal Coal Management Program before the Subcommittee. Our earlier testimony, which was based on a GAO study and report entitled "Issues Facing the Future of Federal Coal Leasing" (EMD-79-47, dated June 25, 1979), focused on two issues:

--Need for an analysis by Interior 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 new program.)

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--Need to consider coal production goals --as well as demand estimates for other resources--in land use planning to help make reasoned judgements 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.)

Since we last testified before this Subcommittee in June, Interior has taken various steps toward implementing the new coal program--most significantly being the issuance on July 19 and August 7, 1979, respectively, of final regulations on coal and land use planning. Interior is presently conducting workshops across the country to acquaint elected officials, the coal industry, and the public with details of the new coal program.

As you know, the Secretary has announced plans to hold the first lease sale--under start-up provisions of the new program--in January 1981 in the Green River-Hams Fork region of Colorado and Wyoming In preparation for that sale, the Department is evaluating certain existing land use planning areas, has established regional coal teams to identify specific lease tracts, and has invited industry to submit expressions of interest in specific lease tracts.

Meanwhile, we have begun specific studies looking into (1) problems associated with development and production of existing leases and Energy's and Interior's approach in determining the need for new leasing; and (2) application and impact of the unsuitability criteria and coal mapping programs, both of which are designed to screen coal lands early in land use plans. My testimony today will concentrate on issues related to these efforts and, in particular, the implications they pose to moving forward with the new coal program in light of its critical importance to this Nation's economic and national security objectives.

Production Potential of Existing Leases and Approach in Determining Need for New Leasing

An issue that we feel needs further study concerns the reasonableness of the approach followed by the Departments of Energy and Interior in determining the need for new leasing to meet 1985-1990 coal demand. Under the new regulations, the Department of Energy is responsible for developing regional production goals and Interior is responsible for establishing leasing targets to meet those goals. The approach followed by the Departments in setting goals and targets--and the assumptions made and how they are treated--are based on computer forecasting models and scenarios for each of the forecast target years, 1985 and 1990.

Our on-going work indicates that Interior may have set "tight" leasing targets for these years based on the computer models without adequate consideration given to uncertainties affecting the dates that coal may be produced from the first lease sales as well as from existing leases or a cushion to anticipate such uncertainties.

The dates that coal may be produced from existing leases as well as from the first targeted lease sales--now scheduled for January 1981 at Green River-Hams Fork, July 1981 at Uinta-Southwestern Utah, and early 1982 at Powder River Basin--depend on lead times and market conditions, both of which are subject to uncertainties. Energy's forecasting approach may not be too useful for estimating production from these leases, primarily because specific tracts have yet to be selected and developed.

After the tracts are selected and leased, the minimum lead time in getting them into production depends on such factors as mine plan submission, approval of mining permits, transportation access and costs, rights-of-way permits, and acquisition of coal market contracts. These actions are subject to many uncertainties that are difficult to forecast.

Interior's lead time for planned 1981 and 1982 leasing to meet 1987 production goals allows only 5 to 6 years to get coal into production. If the lead time required is actually closer to 8 or even 10 years--as believed more realistic by many coal industry analysts---attainment of the production goals might be jeopardized. According to Interior's own analysis, an additional 4.6 billion tons of coal over and above the 1.4 billion tons planned for leasing in 1981-82 should be leased to meet 1990 production goals for those regions. This is recognized in the Secretarial Issue Document for the new program and has serious implications for meeting future demand in a timely and efficient manner. Also, Interior may be unnecessarily limiting itself in its ability to make sufficient coal available should slippage occur, because the scope and pacing of Interior's land use planning system may not allow additional leasing to take place in the 1981-82 time frame to meet the 1990 production goal.

Furthermore, Interior developed the leasing targets using questionable assumptions about future non-Federal coal production. The portion of production allocated to Federal coal and non-Federal coal was based on an overall estimate of Federal versus non-Federal surface ownership--56 and 44 percent respectively. Thus, of the total 954 million tons of additional coal Interior estimates to be needed to meet the 1987 production goal for the Green River--Hams Fork coal region, only 534 million tons, or 56 percent, is anticipated coming from Federal lands. Interior assumed that coal under Federal and non-Federal surface is equally distributed and, thus, that the balance of 420 million tons (the remaining 44 percent) would come from non-Federal coal. If this assumed planned production does not come from the non-Federal areas, Interior will run the risk of not making sufficient coal available to satisfy projected demand.

Interior recognizes that the leasing targets may have to be revised after examination of such things as ownership patterns in mining units and the size of the area under consideration--and we understand they are doing this for the Green River-Hams Fork region. But such examinations may be completed so far down the line that it may be too late to modify land use planning to accommodate new targets.

Screening Coal Lands

In our earlier testimony before this Subcommittee, we discussed Interior's plans to include four screens in its land use planning process to determine which areas would be 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.

Since then, we have looked more closely at two additional steps in the land use planning process. One of these has been incorporated in the final regulations; the other is pending. Both steps may further screen out certain potential coal areas from leasing consideration. They involve (1) the establishment of "impact thresholds" in formulating land use alternatives, and (2) the designation of "areas of critical environmental concern."

The regulations indicate that the land use plan may provide for "impact thresholds" to manage coal development. Where a threshold level would be reached, BLM is supposed to halt, suspend, or condition further consideration of the areas otherwise considered acceptable for leasing. BLM's final land use regulations do not explain how such thresholds will be established and applied, but merely state that local land managers may include them in formulating plan alternatives.

While this procedure could theoretically have beneficial impact in allocating coal development between or within prospective coal leasing areas, with the limited amount of lands being considered for coal leasing, it could also adversely affect coal markets as well as Interior's ability to meet coal production goals.

In addition to these regulations, BLM published proposed regulations, June 6, 1979, on "Areas of Critical Environmental Concern. Intent to Prepare Policy and Procedures Guidelines." The authority for these proposed regulations is the Federal Land Policy and Management Act, the same legislation governing land use planning for coal leasing. According to these regulations, identification and designation of areas of critical environmental concern would be done through the land use planning process--as

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authorized by the Federal Land Policy and Management Act--and expressed in Resource Management Plans. These Plans are the same mechanisms through which coal leasing decisions are formulated.

Our concern is that these proposed regulations not become a part of a screening process so lengthy that it unduly impacts on Interior's ability to lease needed coal. It is just not certain now whether Interior has a clear enough handle on exactly what screening is needed to support final decision-making in coal leasing.

Coal Mapping Program

In discussions at this Subcommittee's June hearing, we briefly discussed the role of Geological Survey's Coal Resources Occurence/Coal Development Potential (CRO/CDP) maps in identifying lands with coal development potential. I would like to expand on that discussion. As currently prepared, the maps classify coal lands into three groups of development potential--low, moderate and high. Under the new program, "low" potential coal lands could automatically be eliminated from further consideration even though it is possible that coal classified this way may, in fact, be be desirable from the standpoint of lending itself to new mining technology (such as to larger draglines which may overcome previous economic barriers), or to new coal markets (e.g., a different quality of coal for synfuel development).

According to the final regulations, if the CRO/CDP maps are not available, other data sources will be used to estimate coal development potential. The regulations state that coal companies, state governments, and the general public are encouraged to submit information to the Geological Survey for use in the CRO/CDP mapping program at any time.

Further, these parties--coal companies, state governments, and the general public--may submit non-confidential coal geology and economic data during the planning phase to the BLM State Office conducting the planning. The final regulations state that where such information indicates "significant" development potential for an area not shown to be of moderate or high development potential in the CRO/CDP maps, the area will be considered "moderate" development potential. These areas will then be included for further consideration and application of the remaining screens.

We think this is a step in the right direction. However, we are concerned whether Interior's mere willingness to obtain information from the public will assure data is systematically submitted and used at appropriate times in the decisionmaking process. This concern becomes particularly critical considering that limited land use planning will be conducted through 1983. The regulations do not say how or when non-government-submitted data will be used or whether the data should pertain to areas outside those specific areas under consideration for coal leasing. If the data is for areas outside those specifically targeted for leasing, it is doubtful whether leasing and mapping priorities will be modified.

Additionally, the CRO/CDP mapping program has recently been criticized from various quarters on grounds that the maps are outdated and incomplete, and thus of questionable value for assisting in making land use decisions. Further, it is alleged that the mapping may have been done in some areas having questionable development potential and may have been limited in other areas experts consider more promising. Although we have not fully investigated these issues, our study will include checking out these concerns.

Implications of Coal Leasing to National Security and Economic Obejectives

In closing, I would like to add that with the Federal Government owning a substantial share of the Nation's coal reserves, Federal coal leasing policy can play a significant role meeting our energy, economic, and security needs. You may recall that we testified earlier this month before this Subcommittee regarding the geothermal resource issue and we pointed out that the Secretary of Treasury early this year, for the second time since 1974, under the authority of Section 232 of the Trade Expansion Act, found that the Nation was importing oil in such quantities and under such circumstances so as to threaten to impair the national security. The Congress, in the DOE Organization Act of 1977, found that the increasing dependence on foreign energy supplies presents a serious threat to the national security of the United States and called for an energy program to meet our future needs to eliminate that threat.

Federal coal is figured to be an important part of the equation over the next several decades in providing a bridge to greater reliance on renewable resources. We are concerned that Government action work in a way which would both provide the Nation with needed coal and also provide for environmental protection.

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