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

Why oversight of lease program?

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<th>Progress Thus Far</th>
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<tr>
<td>Facts</td>
<td>Verified</td>
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<tr>
<td>Debate</td>
<td>Some</td>
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<td>Follow-up</td>
<td>Some</td>
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<td>Reform</td>
<td>None</td>
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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 (4.7 million 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
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?**

<table>
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<th>Last two leases, companies did not bid – cited reasons, market conditions</th>
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<td>• A moratorium to consider policy issues would not have a negative impact on coal needs of US</td>
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<th>Secretary Jewell has task force on Royalties</th>
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<th>Secretary Jewell owes response to Markey on GAO audit</th>
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| IG continues work – royalty related work |