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NEW REPORT SUGGESTS NOVEL IMPROVEMENTS TO PUBLIC LAND LEASING SYSTEM

By accounting for “option value” when leasing lands for energy development, the federal government can improve land stewardship and regain some of the economic and strategic advantages it has ceded to private developers.

A [report released today by the Institute for Policy Integrity at NYU School of Law](#) discusses how the Department of the Interior can improve its system for managing and leasing public lands by simply accounting for “option value” – the informational value gained by delaying decisions that are characterized by uncertainty and irreversibility, such as when and on what terms to lease mineral resources.

The Department of the Interior’s practice of leasing public lands for energy development has been criticized for failing to deliver a fair return to taxpayers, unduly prioritizing fossil fuel development over environmental preservation, and contributing to climate change. Problematic practices during the Trump administration have also led to an uptick in “speculative leasing,” whereby oil and gas companies purchase leases at very low cost and often hold them for long periods, making that land unavailable for other beneficial uses including wildlife protection, ecosystem conservation, recreation, reforestation, and renewable energy production.

Companies engage in these practices because they account for option value, timing resource extraction decisions to take advantage of new information on resource prices, technology, and more. But the federal government currently fails to account for option value in its public land management processes, resulting in suboptimal environmental, social, and economic outcomes for the American public, to whom these lands belong.

The new report, “[Look Before You Lease: Reducing Fossil Fuel Dominance on Public Lands by Accounting for Option Value](#),” explains how option value can and should be factored into land use planning and lease sale processes. By being far more strategic about timing and resource tradeoffs, the Department of the Interior could significantly improve its public land stewardship, better protect environmental values, and regain economic and strategic advantages it has ceded to private developers. The report also includes a series of case studies that illustrate the value of accounting for option value at both the regional planning and lease sale stages.

Jayni Hein, the lead author of the report, is available for interviews on these issues.

The report is available at: <https://policyintegrity.org/publications/detail/look-before-you-lease>

The Institute for Policy Integrity at New York University School of Law is a non-partisan think tank dedicated to improving the quality of government decisionmaking. The institute produces original scholarly research in the fields of economics, law, and regulatory policy; and advocates for reform before courts, legislatures, and executive agencies.