Council of Economic Advisers releases report on coal leasing on federal lands

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The White House Council of Economic Advisers (CEA) released a report entitled, “The Economics of Coal Leasing on Federal Lands: Ensuring a Fair Return to Taxpayers”. This report is part of a larger ongoing review of the federal coal leasing program – the first such review since the 1980s. The Bureau of Land Management, in the Department of the Interior, administers the program. The report asserted that the program’s structure has distorted the coal market, keeping the price of most federal coal – and resulting government revenues – artificially and unnecessarily low.

Three model scenarios were considered for increasing royalty rates to ensure a fair return to the taxpayer. These scenarios based royalty terms for federal coal leases on (1) nearby regional coal prices; (2) nationwide coal prices; or (3) natural gas prices. In all scenarios, models showed that annual state and federal revenues would increase; federal coal production would decrease slightly; and non-federal coal production would increase slightly as it became more competitive.

Overall, the report found that increasing royalty payments would be an economically viable way to ensure a fair return to the taxpayer for this use of public lands. The report also noted that the unpriced social costs of coal mining (emissions of carbon dioxide, methane, sulfur, and mercury, and local environmental effects) are very high, and that an increase in royalties would somewhat alleviate these by decreasing overall U.S. coal production by 1 to 3 percent.

On the same day, Resources for the Future (RFF) hosted a seminar featuring details and discussion of this report. A recorded video of the seminar is available on the RFF website.

Sources: Council of Economic Advisers, Resources for the Future