

# Comments to the BLM Coal PEIS Public Scoping Meeting, Grand Junction, Colorado, June 23, 2016

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Thank you for this opportunity to comment on your scoping effort to contribute to the Bureau of Land Management's Programmatic Environmental Impact Statement (PEIS). The goal of the PEIS is to "identify and evaluate potential reforms to the federal coal program in order to ensure that it is properly structured to provide a fair return to taxpayers and reflect its impacts on the environment, while continuing to help meet our energy needs." I would like to comment both on environmental impacts and fair return.

I am professor emeritus of the agricultural economics department at UIUC and former senior research fellow at the International Food Policy Research Institute. My professional research activities focus on the potential effects of climate change on domestic and international food security. A link to a list of my research publications is available at the end of this document. This research has seen widespread use both domestically and internationally. In the US, it has been used by the US Department of Agriculture, the Agency for International Development, and national intelligence agencies, among others. Internationally, it has been used by organizations such as the World Bank, the UN's Food and Agriculture Organization, and the Intergovernmental Panel on Climate Change.

Both my own research and my professional assessment of the scientific literature on the effects of climate change lead me to the conclusion that climate change poses an existential threat to the human species. Life on our planet will survive as it has for several billion years, but we could be the first species to be responsible for its own extinction. To reduce the probability of this happening, we must act quickly to slow and eventually stop the net addition of greenhouse gasses (GHGs), particularly carbon dioxide, to the atmosphere. Coal, along with the other fossil fuels, represents stored sunlight. Unfortunately, with current practices, converting that ancient energy into useful energy today requires adding more GHGs to the air at a time when we need to be ending this practice. Until commercially viable technology is developed to reduce carbon pollution from coal burning, we need to expeditiously phase out the use of coal for energy generation.

The US court system has recognized the harmful effects of carbon pollution and directed the government to take these effects into account. For example, the United States District Court for the District of Colorado in 2014 specifically required the use of the social cost of carbon (SCC) in a cost-benefit analysis underpinning the approval of federal coal leases. This information should become a key part of revisions to the leasing program to address the PEIS focus on fair return, a topic to which I now turn.

Many have commented at this scoping session and elsewhere about how the lack of transparency makes it difficult to assess the fairness of the leasing program. And many have

pointed out that the effective royalty rates are substantially below nominal rates, an outcome that is likely as BLM often negotiates the details of a lease with a single bidder. As an economist, I strongly favor relying on market based mechanisms to simplify the leasing program and increase its transparency. In particular, the application of the royalty rate to the gross market price, a statistic that is readily and widely available, would make the program much more transparent. However, without further modification, this approach does not take into account the negative effects of additional carbon pollution from coal burning. A simple modification would be to add the social cost of carbon to the gross market price and apply the royalty rate to the combined amounts.

As Jim Spehar commented in the Daily Sentinel on Monday (June 20), the current low market prices for coal are not due to current government regulations or the temporary moratorium on new leases but market forces, including the consequences of technological improvements in oil and gas extraction and slowdown in coal use abroad. Regardless of the cause of the price decline, the consequence has been significant economic damage to communities such as in Delta County where coal production is a major economic driver. Those of us who are not directly harmed still have a responsibility to help our neighbors in need today, and we all have a responsibility to our children to make an orderly but quick transition to fossil fuel free future.

Gerald Nelson publication list – <http://bit.ly/1arho7d>