Coal royalty system must be reformed

By Diana Madson / Executive Director, The Mountain Pact

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There’s a dirty little secret about coal that’s been slowly getting exposed by a series of reports and public forums happening across the country, including one listening session that was held recently in New Mexico.

These listening sessions, which are being organized by the U.S. Bureau of Land Management to get public input on the royalties the coal industry pays, are revealing that coal companies are making off with more than $1 billion of your tax money annually, all while continuing to pollute the air and contribute mightily to climate change.

How is this possible?

Simply put, coal companies are supposed to pay about 12.5 percent in royalties, meaning 12.5 percent of the value of the resource they pull out of the ground must be paid back to the taxpayers. After all, the coal companies are mining on lands we all own as taxpayers, and we have a right to be compensated for it.

But what’s really happening is that, through a series of loopholes and schemes, which include companies selling coal to themselves or sister companies at steep discounts, many coal mining operations are essentially paying only 5 percent in royalties.

That adds up to more than a $1 billion owed to taxpayers getting shifted from our pockets to the pockets of the big coal companies.

What’s worse is that, as coal companies are paying less, mountain communities – particularly those with outdoor recreation-based tourism economies – are paying more to deal with increasing costs of climate change. Western communities are being pinched from both directions.

The good news is that the BLM is starting to pay attention, hosting these listening sessions across the West in the hopes that the coal royalty system can be reformed and the loopholes that allow coal companies these egregious discounts can be closed.

Across the West, we see the ravages of climate change, not only on the land that has been burned by fires and dried by years of decreasing snowpack, but also we see the costs in the bottom lines of cities and towns throughout the Mountain West. As climate change has taken hold, ski seasons are less robust, and fishing and outdoor recreation activities have been constricted by the threat of fire and drought. This has crippled tourism, which is the lifeblood of many small mountain towns.

There is a light at the end of this tunnel. Perhaps if royalty reform is successful and coal companies finally pay
their fair share, then we’ll begin to see the costs of climate change factored into federal fossil fuel programs. This is one way we can start compensating communities for the true cost of coal production.

It’s all possible, and it begins with the BLM instituting reasonable royalty reform for the coal industry.

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