Planning for Coal's Decline | January 2020

Report Findings

1. **More than a third of all mined area in the western U.S. remains unreclaimed, despite nearly five decades of active mining.** This area comprises nearly 150,000 acres (234 square miles). Approximately half of this area is classified as long-term reclamation and mining facilities, such as haulroads, spoil stockpiles, impoundments, and other mine facilities that coal companies claim are necessary until the end of mine life. The other half is still being actively mined.

2. **Regulators and state legislatures in Wyoming, North Dakota, and Montana face the greatest risk that their states will become responsible for completing coal mine reclamation.** They have the most significant amounts of unreclaimed land in the West. Because today's coal industry is undiversified and at great financial risk, there is a significant risk that regulators will be forced to seize bond money and complete reclamation. It is imperative that state and federal regulators begin to prepare now to manage reclamation in these states especially.

3. **Unreclaimed areas will continue to expand until the end of mine life.** Active mining areas have grown by 30% since 2001, and this growth will continue because of the general pattern of mining coal that is progressively deeper and farther from rail infrastructure. When a mine closes, it requires reclamation of the largest disturbed area ever existing at that mine. The end of mine life is also the time at which a company is least able to finance reclamation.

4. **Regulators have allowed coal companies to postpone reclamation of parcels that are nevertheless available for reclamation.** We have participated in discussions where state-level coal mine regulators described allowing a mine operator to postpone reclamation on certain parcels that were available for reclamation in order to focus the company's available resources on other parcels, rather than require companies to expand the resources allocated to reclamation. This is allowed because federal rules governing contemporaneous reclamation were suspended indefinitely in 1992 in response to coal industry pressure in the years following the passage of the Surface Mining Control and Reclamation Act of 1977. They were replaced by a loose standard that allows state regulators to defer to a mining company's reclamation plan. The federal Office of Surface Mining Reclamation and Enforcement does not track how much unreclaimed land is available for reclamation.

5. **Bond release has failed as an incentive to complete reclamation contemporaneously.** Bond release is the sole financial incentive for contemporaneous reclamation built into SMCRA, but data reveal that release of reclamation bonds has apparently been unimportant to many mining companies. Bond release has been outpaced by reclamation activity. In fact, multiple economic factors dis-incentivize coal companies' pursuit of bond release, even when companies have purchased surety bonds.

6. **Today's coal industry is largely undiversified, with few revenues other than from coal mining.** This increases the risk that regulators will be forced to seize bond money and complete reclamation. Thermal coal mining companies have one primary line of business: selling coal to power plants. As coal-fired power plants close, coal companies will be forced to close coal mines. Without customers, a coal company will have no funds to complete mine reclamation and no chance to sell its mines to a new owner and recover sunk capital. In short order, regulators will be forced to seize reclamation bonds and complete reclamation themselves.

7. **The economically challenged mines formerly owned by Cloud Peak Energy and Contura Energy have the highest proportion of unreclaimed acreage among major western coal mining companies.** Both companies have reclaimed less than half of mined area. Cloud Peak filed for bankruptcy in 2019, as did Blackjewel LLC, to which Contura sold its Wyoming mines in 2017 but never finalized permit transfer. This is the second bankruptcy that Contura's mines have gone through in four years' time. During the bankruptcies, these mines were sold to companies that have limited operational history: Navajo Transitional Energy Company and Eagle Specialty Materials. Neither has operated mines of this size before, and have acquired them as demand for western coal is steeply declining.

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