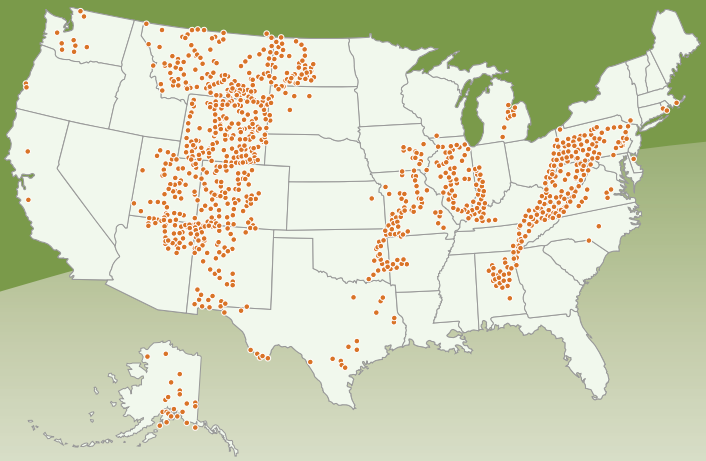
The Need for a Higher Abandoned Mine Land Fee



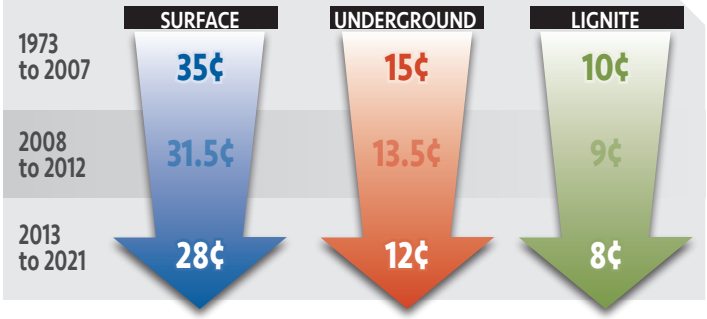
The Abandoned Mine Land (AML) Reclamation Program was created by Congress in 1977 to reclaim mines abandoned prior to that date. Since then, the program has funded the remediation of mine sites that threaten public health and safety, including open mine shafts, mine fires, and acid mine drainage. The program is financed through a per-ton fee on coal production, which is set to expire in 2021 without Congressional action. Simply continuing the fee is insufficient to clean up all remaining sites in an acceptable amount of time. In order to approach full remediation of remaining sites by 2050, the AML fee must be doubled, at a minimum.

AML Fee

The AML reclamation fee was originally set at 35 cents for surface-mined coal, 15 cents for underground-mined coal, and 10 cents for lignite coal. Congress has decreased the fee amounts several times.

The fee has also never been adjusted to account for inflation. If the original fees were adjusted for inflation, the current fee structure would be $1.51 per ton for surface mined coal, 65 cents for underground mined coal, and 43 cents for lignite coal[1]. Failure to index for inflation and periodic fee reductions have resulted in a real annual fee collection that is now less than 25% of the peak in 1979.

AML FEE PER TON OF COAL FROM 1973 TO PRESENT



Outstanding AML Reclamation Costs

The Office of Surface Mining Reclamation and Enforcement (OSMRE) maintains an electronic Abandoned Mine Land Inventory System (e-AMLIS) that tracks known AML sites and reclamation costs. The AML Fund has distributed $5.7 billion to states and tribes for reclamation since its inception, but there are $10.6 billion of unfunded remaining AML needs within the e-AMLIS inventory[2]. This is likely a low estimate of the actual cost of remaining AML reclamation, as the cost estimates are often dated and the inventory is incomplete.

> "The primary misconception caused by E-AMLIS relates to the realities of AML inventorying efforts. Contrary to popular belief, the AML inventory is not static. It is simply in the nature of AML that new sites will continue to manifest (particularly those associated with abandoned underground mines) and that known sites will continue to degrade, both of which increase the costs to complete AML work.
>
> As communities in AML-impacted regions expand outward, once isolated AML sites become higher priority as the danger they pose to public health and safety increases. What's more, because it isn't cost-effective to routinely update entries for pending AML projects, many of the project cost estimates listed in the inventory do not reflect current costs (for example, they often do not include inflation). As remaining unreclaimed AML sites are periodically surveyed, cost estimates will therefore generally increase.
>
> While estimates of total remaining costs may not be perfectly accurate and are subject to change for the reasons explained above, the inventory does adequately demonstrate that total remaining AML costs are massive, and far exceed the amounts which have been or will be appropriated through the SMCRA AML program."
>
> **Robert Rice** — Chief of the Office of Abandoned Mine Lands and Reclamation, West Virginia Department of Environmental Protection, in 2017 testimony before Congress

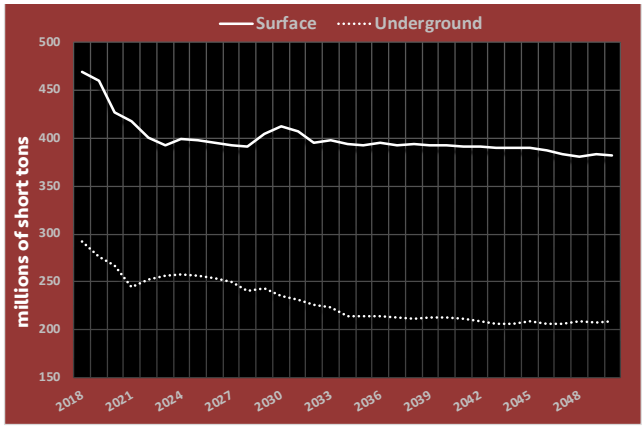
Fund Outlook

The current fund is insufficient to reclaim existing abandoned mine lands. Even if the fee is reauthorized for an additional 15 years, the fund would still be too low. If the fund is reauthorized for another 15 years, it will likely generate about $2.39 billion between 2019 and 2035 based on current Energy Information Administration coal production projections. By 2050, it would likely generate $4.38 billion[3].

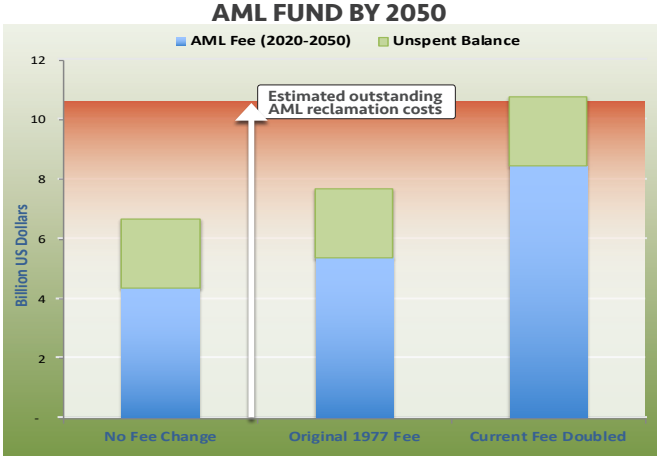
It must be noted that EIA projections are prone to overestimating future production. Projections have steadily declined each year since 2003, and actual production in the last decade regularly fell well short of EIA projections. Furthermore, these projections do not assume any federal policy actions in the next 30 years that could lead to a rapid decline in coal production.

The AML fund currently has an unspent balance of $2.3 billion[4]. To cover a minimum $10.6 billion in existing AML reclamation needs, the fund would need to generate about $8 billion between 2021 and 2050. To accomplish this, the fees would need to roughly double at reauthorization in 2021 and be sustained until 2050[5]. Under this scenario, the fee structure would be 55 cents per ton for surface mined coal, 24 cents for underground coal, and 16 cents for lignite.

EIA COAL PRODUCTION PROJECTIONS



AML FUND BY 2050



This fee structure should generate about $8 billion by 2050, in addition to a projected $300 million collected between 2019 and 2020 from the existing fee structure.

PROPOSED FEE STRUCTURE, 2021-2050 PROJECTIONS

Production type	Tonnage[6]	Fee	Collected
Surface	11.83B	$0.55	$6.5 B
Underground	5.47B	$0.24	$1.3B
Lignite	1.27B	$0.16	$0.2B
Total			**$8.0B**

Looking Forward

A century of coal mining supported the development of the United States, but also left an immense amount of mined land in need of reclamation. Current outstanding AML reclamation needs will cost over two times the amount already spent on completed reclamation over the last 40 years. The AML program must continue and strengthen, both to address the remaining problems at thousands of AML sites and to provide an economic boost to the regions that that have contributed so much to the country.

1. Bureau of Labor Statistics CPI Inflation Calculator .... 2. OSMRE, Status of Abandoned Mine Land Fund, 2019; OSMRE e-AMLIS Cost Summary National .... 3. Based on the current AML fee structure multiplied by the production from EIA, Annual Energy Outlook 2019 .... 4. Fiscal Year 2019 Grant Distribution, Office of Surface Mining Reclamation and Enforcement .... 5. Production from EIA, Annual Energy Outlook 2019; Assuming the fee remains the same from 2019-2020, and is doubled from 2021-2050 .... 6. Production from EIA, Annual Energy Outlook 2019