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**Report Finds Coal Self-Bonding Unnecessary and Risky**

BILLINGS, Mont. – The practice of self-bonding at coal mines could be ended today without a significant impact to the coal mining industry. That's the conclusion of a new report, *Now is the Time to End Self-Bonding*, which points out that self-bonds in the West have hit a historic low, and that conventional alternatives to self-bonding are readily available from dozens of sources on affordable terms. Separately, a report from the federal Government Accountability Office (GAO) released today specifically recommends ending self-bonding under federal law.

"Self-bonding is risky to taxpayers and unnecessary to coal mining companies," said **Bob LeResche**, a WORC Board member from Clearmont, Wyo. "The GAO recommends ending self-bonding outright, and our report demonstrates that would not harm the industry. Self-bonding could be ended tomorrow and no one would blink."

A self-bond is a promise from a coal company to pay for required coal mine cleanup, known as reclamation, not backed by any collateral. If a self-bonded coal company liquidates before completing reclamation, the self-bond becomes nothing more than an uncollectible "IOU" and the public is left without sufficient funds to complete reclamation. Many states do not accept self-bonds, but some do, including, among western states, Wyoming, Colorado, New Mexico, and North Dakota.

The report, from the Western Organization of Resource Councils, has three major findings:

- *The amount of outstanding self-bonds has hit historically low levels, declining 78% since 2015 among western coal mines*. There are only $577,448,720 in self-bonds outstanding in western states today, down from $2,564,743,329 in 2015. This decline is due to the wholesale replacement of self-bonds by Peabody Energy, Arch Coal, and Alpha Natural Resources, forced during their respective bankruptcy proceedings.
- *Surety bonds, a conventional alternative to self-bonds, are available on affordable terms to the coal industry*, according to coal company investor disclosures and court filings. This suggests that replacing the remaining western self-bonds could be done with minimal impact.
- *Coal companies that remain self-bonded tend to have good credit ratings*, which suggests they can replace self-bonds with conventional bonds on affordable terms.

"The immediate threat posed by self-bonding has receded for the time-being," **LeResche** said. "Congress and individual states should seize this perfect opportunity to end self-bonding before it again becomes a danger to taxpayers. We urge decision-makers at the state and federal level to end the public's exposure to self-bonds once and for all."

In 2015 and 2016, the three largest coal companies in the country filed for bankruptcy with $2.3 billion of self-bonds owed to state coal regulators. WORC and its member Wyoming organization, Powder River Basin Resource Council, led an intervention into the bankruptcy proceedings to force Alpha Natural Resources, Arch Coal, and Peabody Energy to replace their self-bonds with third-party insurance instruments. That effort culminated in wholesale replacement of $2.5 billion of self-bonds, including by Cloud Peak Energy, which replaced its self-bonds voluntarily outside bankruptcy court.

Despite the success of that effort, several attempts to permanently reform self-bonding languish on the federal and state levels. The federal Office of Surface Mining Reclamation and Enforcement (OSMRE) initiated a rulemaking in 2016 to strengthen self-bonding rules, but that rule has not moved forward under the current Administration.

In October 2017, Interior Secretary Ryan Zinke released the *Energy Burdens* report, which recommended cancellation of the self-bonding rulemaking and even the repeal of OSMRE's "Policy Advisory" to states, which had recommended against continued acceptance of self-bonds. Although the Policy Advisory has already been rescinded, Interior's report states that the agency will "carefully consider the report and recommendations of the pending GAO audit of financial assurances currently underway" and requests public comment before rescinding the self-bonding rulemaking.

In Wyoming, the state that has historically carried the greatest load of self-bonds, the Department of Environmental Quality (DEQ) has proposed limits on self-bonding. These proposed rules received strong public support. However, a citizen advisory board recently sent the rules back to DEQ for further study.

A previous study from GAO found that self-bonding is available only to the coal industry among natural resource extraction industries. Today's report from GAO makes the case that self-bonding poses a risk to the government: it is difficult for state regulators to reliably determine the financial health of a coal mine operator and to determine whether the company operator qualifies for self-bonding, and state regulators face challenges to obtain a replacement for existing self-bonds when an operator no longer qualifies.

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*Bob LeResche, former Alaska Commissioner of Natural Resources, lives and farms with his wife in Clearmont, Wyo.*

*The Western Organization of Resource Councils (WORC) is a regional network of eight grassroots community organizations with 15,190 members and 39 local chapters and affiliates in Colorado, Idaho, Montana, North Dakota, Oregon, South Dakota, and Wyoming.*