



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

APR 22 1975

OFFICE OF THE ADMINISTRATOR

Dear Mr. Chairman:

As you recall, on February 6, 1975, the President transmitted to the Congress a proposed surface mining bill which would (a) strike a balance between our objective of improving environmental quality and other national objectives including increased energy independence and a strong economy, and (b) build upon the bill from the last Congress but avoid problems which made that bill unacceptable.

I am pleased that some of the changes from last year's bill that the President recommended have been adopted by one or both Houses and are now being considered by the Conference Committee. However, I am writing to emphasize anew the Administration's considerable concern with some provisions of the pending surface mining legislation, S. 7 and H.R. 25, the differing versions of which are now being considered by the Conference Committee.

The Administration favors action to protect the environment and reclaim land disturbed by surface mining of coal and to prevent abuses that have accompanied such surface mining in the past. But surface mining legislation also involves other fundamental national objectives and issues including (a) energy independence, (b) outflow of dollars to other nations, (c) unemployment, and (d) higher consumer costs, particularly for electricity.

I urge the Conferees weigh carefully the developments affecting these important issues that have occurred since the Congress began considering this legislation.

1. Energy Requirements. Increased domestic coal production is one of the major steps this country can take to stem its growing dependence on foreign oil. The President's program called for doubling coal production to 1.2 billion tons by 1985. The energy plan advanced by the Congressional Democratic leadership calls for 1985 production of 1.37 billion tons. The Conference should not adopt a bill that is inconsistent with those goals.

Interior and FEA estimate that the Senate-passed bill (S. 7) would reduce expected coal production by 40 to 162 million tons (5 to 22%) in the first full year of its application; and that the House-passed bill (H.R. 25) would reduce production by 62-162 million tons (8 to 22%). These estimates do not include potential delays from litigation or stringent interpretation of ambiguous provisions of the bill.

Each ton of coal is equivalent in energy value to roughly 4.3 barrels of oil. If the legislation were to result in loss of only 50 million tons of coal per year, an energy equivalent of 215 million barrels of oil would have to be obtained primarily from imported oil. These additional imports will increase dollar outflows by more than \$2.3 billion and cost more than 10,000 jobs.

2. Inflationary Impact. Consumers have already been subjected to higher costs because of our heavy reliance on expensive foreign oil. If domestic coal, which is used primarily in producing electricity, must be replaced by foreign oil, consumer costs will be forced even higher. In addition, consumer prices or taxes would reflect the added cost of \$130 to \$204 million in taxes on coal, \$171 million in increased coal production and reclamation costs, and \$100 to \$160 million for Federal and State government activities to carry out requirements of the bills.

Unnecessary burdens of the legislation will fall most heavily on small mining operations and may put many out of business. This runs the risk of lessening competition in the coal industry and could contribute to higher prices.

3. Unemployment. As indicated above, greater outflow of dollars means loss of jobs in the United States. In addition, Interior and FEA estimate that jobs lost as a result of legislation would range from 9,000 to 36,000 in the case of the Senate bill and 14,000 to 36,000 in the case of the House bill. These employment losses would hit hard in those areas such as Appalachia that have been struggling to improve their economic conditions. It is true that some jobs would be created by the requirements to reclaim areas abandoned in the past but this would involve dislocation of employees and fewer job gains than losses.
4. Locking up domestic coal. In addition to near term reduction in expected coal production, Interior and FEA

have estimated that the Senate-passed bill has the potential of preventing mining of 12 to 72 billion tons of coal and the House-passed bill from 33 to 72 billion tons. These amounts constitute 9 to 53% of the total 137 billion tons of coal in the Nation's demonstrated reserve base which are potentially mineable by surface methods.

I urge the Conferees to take these developments into account and to report a bill which achieves a balance among our national objectives. I would also remind the Conferees that substantial progress has been made by leading coal mining states in developing effective controls to reduce adverse effects of surface mining.

I call your attention particularly to the need to:

- . Modify citizen suit provisions to avoid unnecessary and unacceptable production delays or curtailments.
- . Change hydrologic disturbance provisions to avoid requirements which would be impossible to meet, are unnecessary to provide reasonable environmental protection, or which would preclude most mining activities.
- . Reduce the excise tax on coal to 10¢ per ton because this amount would be adequate to support a fund for reclamation of abandoned surface mined lands.
- . Remove the special unemployment provisions which would result in unfairly discriminating among classes of unemployed persons, would set undesirable precedents, and are inconsistent with unemployment program modifications signed into law on December 31, 1974.
- . Make clear that State laws and regulations do not cover Federal coal lands.
- . Avoid requirements that preclude mining in alluvial valley floors which could lock up surface mineable coal reserves.
- . Avoid setting new precedents with respect to water rights.
- . Permit surface mining on national forest lands when this is found to be in the national interest.

Administration officials stand ready to work with you to discuss these and other changes, with the objective of developing legislation that is in the public interest. If ever there was a time during which the nation faced the necessity of balancing its environmental and energy priorities, it is now.

Sincerely,



Frank G. Zarb
Administrator

Honorable Morris Udall
Chairman of the Conference Committee
House of Representatives
Washington, D. C. 20515