

**Congress of the United States**  
Washington, DC 20510

August 1, 2017

The Honorable Ryan Zinke  
Secretary  
U.S. Department of the Interior  
1849 C Street N.W.  
Washington, D.C. 20240

Dear Secretary Zinke:

As Ranking Members of the Congressional committees charged with overseeing the Department of the Interior's (DOI) stewardship of public lands and resources, we are committed to ensuring that the American people receive their fair share for the use or sale of publicly-owned mineral resources such as oil, natural gas, and coal.

Since your nomination as Secretary, you have made a number of statements indicating that you share this goal. In response to questions submitted by the Senate Energy and Natural Resources Committee after your nomination hearing, you stated, "I am committed to ensuring that the American taxpayers get a fair return on all natural resource development on federal lands." When reinstating the Royalty Policy Committee (RPC), an advisory body designed to "ensure the public receives the full value of the natural resources produced from Federal lands," you stated, "It's important that taxpayers get the full value of traditional and renewable energy produced on public lands." The Fiscal Year 2018 budget for DOI indicates that an Administration and Departmental goal is "achieving a fair return to the American taxpayer from the sale of Federal resources," and indicates that the Bureau of Land Management (BLM) is initiating a study of hardrock mineral revenues, which could serve as a first step towards implementing a long-overdue royalty on hardrock mining on public lands.

Unfortunately, your Department's actions so far this year have served to do the exact opposite, reducing the return that taxpayers receive instead of increasing it. We have already written to you regarding our concerns about the refusal of the Office of Natural Resources Revenue to enforce its Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Rule—a likely violation of the Administrative Procedures Act (APA) that costs taxpayers between \$6 million and \$7 million each month—and the subsequent proposal to repeal the rule entirely, despite the fact it is the product of numerous longstanding recommendations, including many from the RPC. The delay of the BLM Methane Waste Rule, also in apparent contravention of the APA, lets oil and gas companies off the hook from taking commonsense waste prevention measures that would also raise millions of dollars in additional royalties.

Your Department has also prematurely ended a review of the BLM coal program, which was designed to ensure that program was providing a fair return for taxpayers, and lowered shallow water offshore royalty rates by a third. Also concerning is the fact that Mr. Vincent DeVito, your energy counselor, was recently quoted indicating that one of the top priorities for the RPC will be looking at financial assurances, which are a way to protect taxpayers from being forced to assume the cleanup costs of bankrupt companies, and are not a revenue-related issue.

Action is clearly necessary on royalty issues. The Government Accountability Office (GAO) has included the management of federal oil and gas resources on its list of “high-risk” programs for the past several years in large part because the Department’s fiscal policies have become outdated. Recent GAO reports make a compelling case for modernizing these policies and emphasize that doing so would likely have minimal impacts on oil and gas production. The Congressional Budget Office also found that by modernizing rental rates and minimum bids established 30 years ago, the Department could generate \$500 million in new revenue over the next decade.

Similar analyses by the GAO and the Department of the Interior’s Office of the Inspector General have shown that the coal program is not yielding a fair return. Last year, the White House Council on Economic Advisors released a report documenting the need for coal royalty reforms, stating, “review of the coal leasing program indicates that the program has been structured in a way that misaligns incentives going back decades, resulting in a distorted coal market with an artificially low price from most Federal coal and unnecessarily low government revenue from the leasing program.”

Continuing to turn more public lands and undervalued minerals over to the oil and gas and coal industries cannot continue. Stating that you are in favor of a fair return for taxpayers is meaningless when your actions act as giveaways to fossil fuel companies. Prior to taking any further steps to increase or streamline fossil fuel production on federal lands, it is imperative that you first modernize the Department’s fiscal policies.

In light of the issues identified in this letter, we request your response to the following questions:

Given the Administration’s focus on increasing fossil fuel leasing and production on federal lands, how will you ensure that American taxpayers are receiving a fair return in light of the recent independent analyses that have criticized the current return?

What is your timetable for modernizing the Department’s fiscal policies, and how does that align with the Administration’s broader efforts to increase fossil fuel leasing and production on federal lands?

How will efforts to modernize the Department’s fiscal policies, which will require new rules and policies, align with the Administration’s broader efforts to eliminate rules and policies, in particular those that apply to the oil and gas and coal industries?

How will the work of the Royalty Policy Committee inform efforts to modernize the Department's fiscal problems outlined above?

Thank you for time and attention to these important matters.

Sincerely,



Maria Cantwell  
Ranking Member  
Senate Committee on Energy and Natural Resources



Raúl M. Grijalva  
Ranking Member  
House Committee on Natural Resources