

Opponents: Decision will lead to release of an estimated 1 billion tons of greenhouse gases

Mont. OKs coal development

By MATT GOURAS - Associated Press writer | Posted: Tuesday, December 22, 2009 12:00 am |

HELENA, Mont. -- Montana's top elected officials backed a plan Monday to put vast tracts of coal up for lease, bucking pressure from environmentalists who say digging up and burning the fuel will be an "abomination" that endangers the planet.

The Montana Land Board said it will demand top dollar for the coal and expects private companies to place bids on the massive project within the next couple of months. Observers said the state may be asking too much.

The decision comes shortly after a private company that owns intertwined tracts leased its rights to Arch Coal Inc. of St. Louis. The Land Board said it wants two-and-a-half times as much for an upfront bonus than Great Northern Properties received.

Secretary of State Linda McCulloch, who made the motion, says a \$143 million "bonus bid" ensures that the state isn't selling the coal so cheap that it simply subsidizes the construction of the Tongue River Railroad -- which is needed for Otter Creek but some worry could be used to ship competing Wyoming coal. It also ensures the state some money whether or not the coal is eventually developed.

McCulloch promised critics that the Land Board will require further approval of development and reclamation plans, and noted it would also have to go through the Montana environmental regulatory process.

"Every step will be carefully and publicly considered," she said. "No sweetheart deal will be made with any coal developers."

Gov. Brian Schweitzer, Attorney General Steve Bullock and State Auditor Monica Lindeen also voted in favor of putting the coal up for lease. School Superintendent Denise Juneau voted no.

Juneau argued that the board's fiduciary duty to generate money for schools with state land must look far down the road, long after the coal is gone and its potentially costly effects remain.

"It's time for us to be visionary," she argued. "There is also value in keeping Montana as Montana."

The four supporters, all Democrats, bucked a key constituency: Environmentalists rallied against the plan before the debate with chants of "no coal!" and pleaded during public comment that the board should shoot down the idea.

They pointed out that burning the coal would release an estimated 1 billion tons of greenhouse gases and noted the costly legacy of various Superfund sites in the state leftover from mining operations.

The opponents pointed out that the Democrats on the board promised environmental stewardship when they were running for office.

Schweitzer told the crowd he believes global warming is a real threat but said it's not realistic for Montana alone to stop developing its natural resources.

Business interests and rural towns in the area have been pushing for development of the coal.

"We need every opportunity we can get," said Cameron Lundby, with a Miles City construction company. "Each year it becomes harder to justify keeping our headquarters in Montana," Lundby said. "Our citizens need good-paying jobs, and our state needs revenue."

The board will find out in the next couple months if any coal companies are willing to pay what the state is seeking, given the huge upfront development costs for starting a new mine.

"This kind of a minimum bid -- for an undeveloped tract of this magnitude -- is kind of out of the ballpark," said Bud Clinch with the Montana Coal Council.

That minimum bid of 25 cents per ton -- which Bullock sought to increase to 35 cents -- will be the focus.

"We will see if anyone bids at that level," said Leo Berry, a Helena attorney representing Great Northern Properties. "If they do, Land Board hit a home run. If they don't, then we're back to square one."

Arch coal has said it could move forward with development without the state. Many observers say that's unlikely because the coal rights are divided in a checkerboard fashion that requires joint development.

An appraisal done for the state earlier this year estimated infrastructure development costs of roughly \$1 billion. That included about \$200 million to construct the Tongue River Railroad, the new rail line.

The appraisal, by Norwest Corp. of Salt Lake City, said the railroad alone would bump up the price for the coal by roughly 15 cents per ton.

The railroad has been bitterly fought by some ranchers and southeastern Montana land owners who say it will industrialize the rural Tongue River Valley. Among the opponents is billionaire Forrest Mars Jr., former chief executive of Mars, Inc., the family owned candy empire based in McLean, Va.