Testimony of Dakota Resource Council
Senate Bill 2317
March 4th, 2021

Chairman Todd Porter & members of the committee, my name is Scott Skokos and I am testifying on behalf of Dakota Resource Council and our members. Thank you for allowing me to testify today in opposition of SB 2317.

Dakota Resource Council (DRC) is a non-partisan grassroots group of landowners, ranchers, farmers, and other citizens. A key part of our mission is to promote the sustainable use of North Dakota's natural resources which includes ensuring full reclamation funded by the coal industry not taxpayers or the state. We believe that North Dakota should protect its citizens from high-risk bonding practices and ensure fully funded reclamation of coal mines.

We are very concerned with the trust establishment outlined in SB 2317. The national trends show that coal is in decline.[1] Therefore, coal will likely be replaced by other energy sources over the next 30 years, in a conservative estimate. Nationwide, many financial institutions are making the smart decision to reduce or eliminate the availability of bonds for coal because they are considered high-risk. If these well-respected financial institutions, who have supported coal for decades, are determining that the risk is too great, why is it ok to put that high-risk burden on the state and taxpayers? It appears based on how this bill has changed in the Senate that even the Bank of North Dakota didn't want to be involved in creating a performance bond program. It is the responsibility for the coal industry to reclaim the land they have used, instead of running themselves into the ground and declaring bankruptcy. It should not fall on taxpayers or the state to fund this cleanup, which is what will likely happen if we use private assets to be pledged as collateral. Collateral bonds for a transitioning industry in our rapidly changing energy economy is not only unwise, but it is fiscally irresponsible. Collateral bonds are worth nothing if coal goes away and over half of all coal plants have already closed or slated to close. According to a recent article in the LA Times, "There are just 20 coal plants in the continental West whose owners haven't committed to fully retiring them by specific dates … That's compared to 49 coal-burning generating stations with units that are slated for closure or have shut down since 2010."[2]

The equipment that is being touted to cover the costs of reclamation will be worth nothing more than the value of scrap metal if coal goes away as is projected nationally. Similarly, if the land used as collateral has a value based on the lignite coal reserves, it will also not be worth the estimated land value or enough to pay for the reclamation. It is imprudent to use the value of equipment and property to bond for an industry that is in decline, as the value of those private assets will also decline. The other idea that we will use the equipment that is used as collateral to reclaim the land ourselves is also unwise. How will we pay the workers needed to run that equipment to do the reclamation or pay for the other costs associated with reclamation? It will have to be funded by taxpayers or the state. Claims that we can simply use the equipment to reclaim the land is erroneous. There will be other costs, besides just using the equipment to reclaim the land. In addition, responsible fiscal policy is important for protection of coal

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[1] https://www.eia.gov/todayinenergy/detail.php?id=44115
[2] https://www.latimes.com/environment/story/2020-02-04/coal-power-plants-western-us

communities because if coal goes away, and is not properly bonded with surety bonds, those communities could be left with a million-dollar hole in the ground.

North Dakota participates in an interconnected electric grid system. As an energy exporter, ND must also meet the demands of its customers and if it doesn't, those customers will take their business elsewhere. Our neighboring state of Minnesota no longer wants coal produced energy, and that is simply consumer demand. It is anti-free market policy to continue to prop up an industry that is simply becoming uneconomical and outdated due to progress, productivity gains, and consumer preference. You might hear the argument that the market is not a free market due to renewable subsidies, however, even unsubsidized wind is cheaper than coal according to recent report by LAZARD, a financial advisory and asset management firm.[3] We are highly concerned about this high-risk bonding project that places nostalgia over common sense and fiscal responsibility.

I urge the committee to oppose SB 2317 because it is unfair to taxpayers, the citizens of ND, to take on such a high-risk bonding project that even financial institutions don't want to take, and so we recommend a **DO NOT PASS** on SB 2317.

[3] https://www.lazard.com/media/451419/lazards-levelized-cost-of-energy-version-140.pdf