Taxpayer Exposure to Bankrupt Coal

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1) What are the short-term taxpayer costs of coal bankruptcies?

Up to $3.7bln from the Big 3 coal companies alone.

Legacy Liabilities of Bankrupt Coal
(source Moody's North American Coal Outlook May 2016)
2) What are the short-term costs for reclamation alone?

Approximately $1.7bln from recent settlements.

![Chart showing Coal Mine Reclamation Settlements](chart.png)

- Self-bonding Obligations
- Settlements with States

- Big 3 Coal Companies
- Illinois
- Wyoming
- New Mexico
- Indiana
- West Virginia
3) What are the long-term taxpayer costs of coal bankruptcies?

Up to $30bln in total mine and worker retirement obligations.

Coal Industry Liabilities
(source McKinsey, author’s estimates)

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Billions</th>
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<tbody>
<tr>
<td>Total Industry Liabilities (2014)</td>
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<tr>
<td>Long-term Debt</td>
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<td>Asset retirement obligations</td>
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<td>Pension/workers comp/retirement/medical</td>
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<tr>
<td>Public Exposure to Industry Liabilities</td>
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<tr>
<td>Operating leases /contractual obligations</td>
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<td>1974 UMWA Plan</td>
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4) What are the long-term costs of reclamation alone?

Up to $16bln in total asset retirement obligations.
5) Should we considered these taxpayer costs a gift or a loan?

The taxpayer has a choice to make:

1. If we decide to give the coal industry a free pass, we will be writing a very big check (up to $30bln or three times the size of the US auto bailout).

2. If we hold the coal industry responsible, we need to figure out a way to get the taxpayers’ money back.
6) What can be done to make sure coal pays its own way?

**Short-term** – A Bailout Recovery Fee needs could be established on coal production that would allow states to recoup their unpaid coal bills.

**Longer-term** – A coal utility fee needs to be considered that would be used to help cover the $30bln in taxpayer exposure created by the coal industry.
7) Is a Recovery Fee an indecent proposal?