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Energy & Natural Resources Committee
Subcommittee on Public Lands and Forests
United States Senate

S. 1144, Soda Ash Competition Act

August 3, 2011

Good morning and thank you for inviting the Department of the Interior to testify today on S. 1144, the Soda Ash Competition Act, which extends for 5 years the royalty rate reduction provisions of the Soda Ash Reduction Act of 2006 (2006 Act).

At this time, the legislation is premature, pending the completion of a report that will analyze the effects of the royalty reduction under the 2006 Act, and contain a recommendation from the Secretary about continuing the royalty reduction.

Soda ash is one of several products derived from sodium minerals mined on public lands and is used in many common products, including glass, pulp, detergents, and baking soda. The mineral trona is a naturally occurring mixture of sodium carbonate, sodium bicarbonate, and water. Soda ash, or "sodium carbonate," is refined from trona mined at depths of between 800 and 1,600 feet below the surface.

Soda ash may be either natural or synthetic. It can be extracted from mined natural trona deposits, or it can be manufactured synthetically. Synthetic soda ash production began in this country in the 1880s and increased as the demand for soda ash increased.

In the early 1950s, the modern natural soda ash industry began in the Green River Basin of Wyoming, home of the world's largest known natural deposit of trona. In 2010, the U.S. soda ash industry consisted of five companies that mine and mill soda ash, four of which operate five plants in Wyoming. One company in California produces soda ash from sodium-carbonate rich brines. At the end of FY 2010, there were 86 Federal sodium leases covering 113,886 acres in Wyoming, California, Colorado, Arizona, and New Mexico. Sixty-one of these Federal sodium leases were located in Wyoming.

Although in 2010 soda ash represented only 2 percent of the nation's $39 billion nonfuel mineral industry, its use in many diversified products, including flat glass for the automobile and construction industries, makes it a substantial contributor to the gross domestic product of the United States.

Soda Ash Report

A provision of the 2006 Act requires the Secretary of the Interior to report on the effects of the royalty rate reduction at the end of the 4-year period after enactment and before the end of the fifth year. According to the Act, the report must discuss:

- The amount of sodium compounds and related products shipped to market from Federal lands;

- The number of jobs that have been created or maintained;

- The royalty paid to the United States on the sodium compounds and related products and the portion paid to states; and

- A recommendation of whether the reduced royalty rate should continue.

The report is to include an analysis of data on production, exports, sales values, employment, and royalties. The benchmarks against which the effects of the royalty reduction are evaluated are the conditions that would have been anticipated to prevail absent the royalty reduction. The Bureau of Land Management (BLM) has been working with the Department to finalize the report so that it may be transmitted it to Congress in order to meet the October 11, 2011, timeframe.

The BLM can offer some insight at this time into its factual findings. Specific to the three questions identified in the Act:

- Total domestic sodium minerals sales from FY 2002 through FY 2010 ranged from 12.2 million tons to 13.8 million tons annually based on information reported by the Department's Office of Natural Resources Revenue (ONRR). In FY 2006, the year before the royalty reduction took effect, total domestic sales of sodium compounds and related products were approximately 12.9 million tons. The following year, domestic sodium sales increased 7 percent, reaching 13.8 million tons. By FY 2010, domestic sales were approximately 13 million tons, or about 1 percent higher than the total in FY 2006.

- Based on available data[1], overall employment has not increased since passage of the Act. An analysis of the number of jobs maintained depends on a number of factors such as the overall soda ash market conditions and employee productivity.

- Royalty payments on sales of sodium from Federal leases ranged from a low of $10.3 million in FY 2004 and peaked in FY 2006 at $29.1 million. From FY 2006 to FY 2007, there was a steep drop in royalty payments as a result of the royalty rate reduction authorized under the Act. Since passage of the Act, Federal royalty payments have remained below $20 million per year.

[1] Based on data from the United States Geological Survey Mineral Commodity Summaries, the Industrial Minerals Association—North America, and the Wyoming State Inspector of Mines.

The BLM is also able to identify that:

- For the four years following passage of the Act, total sales revenues from sodium production was more than 60 percent higher than the total sales revenues from the four years before passage of the Act based largely on increases in the commodity prices. For example, the weighted average annual sodium price rose from about $89 per ton in FY 2006, the year before the Act took effect, to approximately $126 per ton in FY 2009.

- Since passage of the Act, a significant amount of production has shifted from state leases and private (fee) lands onto Federal leases, according to data from ONRR.

- United States exports of soda ash gradually increased from FY 2002 through FY 2008, dropping in FY 2009 during the global economic downturn. United States exports recovered in FY 2010, and were 11.7 percent higher than the export totals for FY 2006.

The 2006 Act requires the Secretary to make a recommendation as to whether the royalty rate reduction should be continued. If enacted, S. 1144 would make the Secretary's recommendation moot.

S. 1144

S. 1144 updates the original Soda Ash Royalty Reduction Act by extending the royalty rate of 2 percent for 5 years, until October 2016. The Act waives the requirements of section 102 (a)(9) of the Federal Land Policy Management Act of 1976 (FLPMA), section 24 of the Mineral Leasing Act, and the terms of any lease under the Act. The FLPMA citation states that it is the policy of the United States to receive fair market value for the use of public lands and their resources unless otherwise provided by statute. The Mineral Leasing Act sets the royalty rate at not less than 2 percent.

Before the royalty reduction Act went into effect in 2006, the BLM was charging royalty rates of 6 and 8 percent. The BLM established these rates based on a study to examine the fair market value in the sodium industry in Wyoming. The study reviewed many comparable state and private leases and found that fair market value in Wyoming appeared to be somewhat higher than the 5 percent being charged by the BLM at that time. As a result of the study, the BLM determined that the royalty for all then-existing leases would be increased from 5 to 6 percent at the lease renewal date. The BLM, based on the study, also determined that the royalty rate on all new leases would be 8 percent. In the Green River Basin at that time, the royalty rate on most private land was 8 percent and 5 percent on State lands.

Conclusion

Thank you again for the opportunity to testify on S. 1144. I would be glad to answer your questions.