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Committee on Natural Resources
Subcommittee on Energy and Mineral Resources

Legislative Hearing on
H.R. 957, American Soda Ash Competitiveness Act

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Introduction

Thank you for the opportunity to testify on H.R. 957, the American Soda Ash Competitiveness Act. This bill would reinstate for five years the royalty rate reduction provided for under the Soda Ash Royalty Rate Reduction Act of 2006, which expired in October 2011. The BLM cannot support H.R. 957.

Background

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 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, where soda ash, or "sodium carbonate," is refined from trona mined at depths of between 800 and 1,600 feet below the surface.

In 2012, 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 2012, there were 86 Federal sodium leases covering 111,185 acres in Wyoming, California, Colorado, Arizona, and New Mexico. Sixty-three of these Federal sodium leases were located in Wyoming. The soda ash industry is a substantial contributor to the gross domestic product of the United States, with the total value of domestic soda ash produced in 2012 being about $1.6 billion and the industry supplying over 2,200 direct jobs. Soda ash is also a key ingredient in many diversified products, including flat glass used by the automobile and construction industries.

Soda Ash Royalty Rate Reduction Act

In 2006, Congress passed the Soda Ash Royalty Rate Reduction Act (2006 Act), which reduced the Federal royalty rate for soda ash to 2 percent. Before the 2006 Act went into effect, the BLM was charging royalty rates of 6 and 8 percent. The BLM established these rates based on a 1996 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 previously. As a result of the study, the BLM determined that the royalty rate 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.

Report to Congress

As mandated by the 2006 Act, the BLM reported to Congress in the fall of 2011 on the impact of the reduction over the previous five years, in the "U.S. Department of the Interior Report to Congress: The Soda Ash Royalty Reduction Act of 2006." The report found that the 2006 Act resulted in a substantial loss of royalty revenues to the Federal government and the states which exceeded congressional estimates at the time of enactment. It also stated that the royalty rate reduction did not appear to have contributed in a significant way to the creation of new jobs within the industry, to increased exports, or to a notable increase in capital expenditures to enhance production. Furthermore, the report found that the royalty rate reduction appeared to have influenced a shift of production away from state leases and private lands and onto Federal leases, and that, with regard to global competitiveness, U.S. production remained stable.

H.R. 957

H.R. 957 would reinstate for five years the 2 percent royalty rate for soda ash which expired in October 2011. Specifically, the bill would apply an across-the-board reduction in the royalty rate on soda ash leases from an average of 5.6 percent to 2 percent. In FY 2012, the soda ash industry paid over $47 million in royalty for production from Federal lands. If the royalty rate had been reduced to 2 percent during FY 2012, the royalty revenue for that year would have been approximately $17 million, a reduction of about $30 million. Furthermore, the bill could be subject to the Statutory Pay-As-You-Go Act of 2010.

H.R. 957 would waive the requirements of section 102 (a)(9) of the Federal Land Policy Management Act of 1976 (FLPMA) and the terms of any applicable leases. Section 102 (a)(9) of FLPMA 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. For these reasons and for the reasons outlined in the Department's 2011 report, the BLM cannot support H.R. 957.

Conclusion

Thank you for the opportunity to provide testimony on H.R. 957. I would be happy to answer any questions you may have.