ROYALTIES & PUBLIC REVENUES FROM ENERGY DEVELOPMENT ON AMERICAN LANDS

Oil, natural gas, coal, and other energy resources from our American public lands provide an important source of public revenue. But decades-old policies are benefiting oil and gas companies at the expense of American taxpayers.

How oil and gas leasing and development works on U.S. public lands

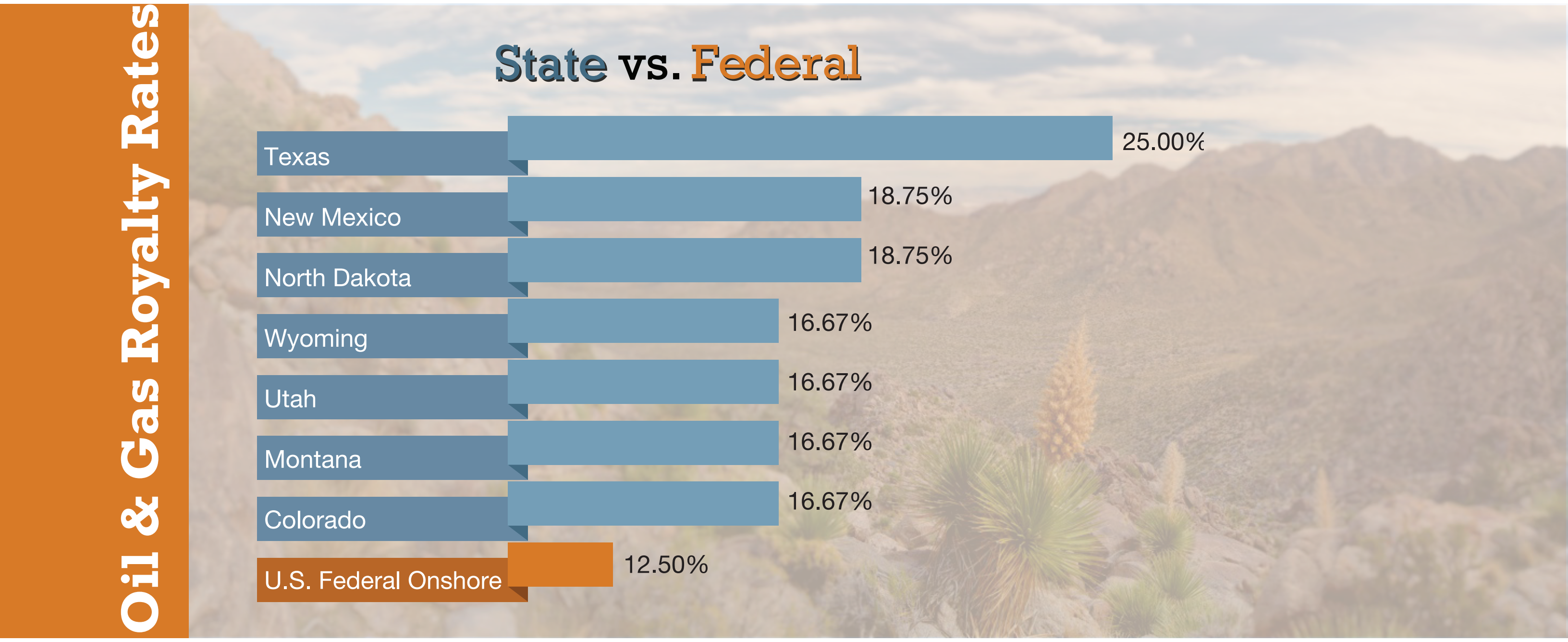
The Bureau of Land Management (BLM) is the agency charged with ensuring Americans receive a fair return from resource extraction on public lands, while striking a balance between land protection and development.

When the BLM leases public land to private companies, the companies are obligated to repay the public for the use of the lands, as well as the raw materials like coal, oil, and natural gas that are extracted. These payments – in the form of bids, rentals, and royalties – are a critical source of funds and represent one of the largest nontax sources of revenue for the U.S. government.

But the current regulatory system allows companies to get a sweetheart deal on national public lands at nearly every step of the production process: antiquated minimum leasing bids, rental rates, royalty rates, and loopholes on public lands cost taxpayers hundreds of millions every year.

Federal royalty rates for oil and gas extraction are much lower than state rates

The state of Texas charges a 25 percent royalty on its state lands, while states in the Rocky Mountain West charge royalties between 16.67 percent and 18.75 percent. But the royalty rate on national public lands – which hasn't been updated since the 1920s – is more than one-third lower, at 12.5 percent.



A royalty is what a company pays to a mineral owner – in this case the American taxpayer – for the right to extract oil and natural gas from their land.

By not charging higher rates to drill on federal lands, the federal government costs American taxpayers up to $730 million in gross revenues each year. State taxpayers lose an equal amount, because half of royalty revenues are given to the state in which the drilling occurs.

Oil companies can obtain public lands for absurdly low prices

Oil companies lease public lands at auction, and pay a minimum bid to obtain these lands. But, the minimum bids have not been updated for decades. Currently, companies can lease an acre of land for a minimum bid of $2.00 per acre. In 2014, nearly 100,000 acres were obtained in Western states for only $2.00 per acre and so far in 2015 nearly 25 percent of all leases sold for the minimum bid.

Low rental rates encourage companies to sit on leases and avoid producing oil and gas

Oil companies have ten years to begin producing oil and gas on a lease. In the meantime, companies can idle the leases and pay only $1.50 per acre each year.

Of the nearly 35 million acres currently leased to oil companies, almost 22 million acres are held but not used.

Adjusting rental rates to just $3.00 per year for the first five years of a lease and $5.00 per year thereafter would have generated an additional $56 million during fiscal year 2013. Plus, higher rental rates would encourage companies to bring idled leases into production, generating even more royalty revenue for American taxpayers.

Coal companies are selling themselves coal to dodge royalty payments

On public lands, coal companies are currently gaming the system and dodging fair royalties by selling coal to their own subsidiaries at reduced rates. In effect, they are paying a royalty on far-below market rates for coal. One analysis determined that the five biggest coal companies have 566 subsidiaries and affiliates to which they sell coal.

Coal companies are also receiving a sweetheart deal on the leases they buy from the Bureau of Land Management. Indeed, some coal lease sales have resulted in coal being sold for just one dollar a ton. But the coal is ultimately sold for a much higher price. These subsidies have left billions of dollars on the table.

Here are some key facts about how American taxpayers are not getting a fair share from oil, natural gas, and coal extracted from their public lands.

- Oil and gas companies pay less than a cup of coffee to rent an acre of national public lands for a year.
- Despite oil production climbing to record heights, federal royalty rates are outdated and lagging behind royalty rates charged by Western states.
- In 2014, nearly 100,000 acres in seven Western states were acquired with a minimum bid of only $2.00 per acre.
- The oil and gas industry is not required to compensate taxpayers for gas vented or flared during the drilling process on public lands. Between 2008 and 2013, methane pollution from venting and flaring from onshore federal leases rose more than 51 percent.
- American taxpayers are responsible for covering the costs of inspecting onshore oil and gas wells and ensuring that laws are enforced.