



Testimony of
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before the
United States House of Representatives
Committee on Natural Resources

*Creating American Jobs by Harnessing Our Resources: Domestic
Mining Opportunities and Hurdles*

September 14, 2011

Good morning. I am Hal Quinn, president and chief executive officer of the National Mining Association (NMA). NMA is the national trade association representing the producers of most of the nation's coal, metals, industrial and agricultural minerals; manufacturers of mining and mineral processing machinery, equipment and supplies; and engineering and consulting firms, financial institutions and other firms serving the mining industry.

I want to thank the Subcommittee for holding this hearing on the role of U.S. mining in job creation. Metal and coal mining were among the few sectors of our economy that substantially increased jobs over the last decade—when the overall economy experienced the first job-loss decade in 75 years.

Such success is bittersweet, not only because we still have millions of unemployed Americans, but also because mining could have done so much more if the United States had policies that encourage—rather than impede—domestic mining.

Mining job payrolls make a significant contribution to the economic well-being of this nation. But the contribution does not end there. Minerals are the building blocks of our society, playing a vital role in innovation, national security and economic growth. And abundant and affordable coal is the backbone of our nation's power, supplying nearly half of the nation's electricity.

A Look at the Last Decade

The last decade demonstrates U.S. mining job creation know-how. From 2001 to 2010, direct employment at U.S. metals mining operations was up by 10 percent. In the same timeframe, direct jobs at U.S. coal mining operations grew by 8.5 percent. The increase in mining support jobs (contractors such as exploration geologists, taking of core samples, excavation, etc.) was even more dramatic, growing by 32 percent from 2001 to 2010.

Even this last year, as overall job growth hit a standstill, mining continued to add jobs at an impressive rate. From June 2010 to June 2011, metal and coal mining added 11,000 direct and 17,000 mining support jobs at salaries well above the average for all private sector jobs. For example, in 2008, average coal mining wages and salaries were \$72,200, 59 percent higher than the combined average of all private sector jobs (\$45,371.) Similarly, average wages in metal mining in 2008 were \$75,900 or 67 higher than the private sector.

The 1.8 million jobs supported by U.S. mining generate billions of dollars in economic activity. According to an analysis done by PricewaterhouseCoopers for the National Mining Association, in 2008 U.S. mining generated:

- \$107 billion in U.S. labor income
- \$189 billion in contribution to U.S. gross domestic product, and
- \$45 billion in federal, state and local taxes.

According to government statistics, the value added from industries consuming the \$64 billion in raw materials from U.S. minerals mining translates into \$2.1 trillion, or 14 percent, of our GDP, and approximately \$100 billion in coal-based electricity generation.

U.S. Mining Could Contribute More

The demand for coal and metals is on the rise, fueled by fast growing economies such as China and India and our own domestic needs. And while we are experiencing a 30-year trend of greater dependence on imported materials to meet our domestic needs for minerals, the percentage of worldwide exploration spending commanded by the U.S. for metals mining has dropped from 20 percent in 1993 to only 8 percent today. Given that disturbing trend, it comes as no surprise that the United States' import dependence for key mineral commodities has doubled in the span of two decades.

Today, U.S. manufacturers rely on imported minerals to meet more than half their needs. These trends are unsustainable in a highly competitive world economy in which the demand for minerals continues to grow and stability of supply is a growing concern. Fortunately, the United States has the resources and the know-how to meet more of its domestic mineral needs. However, we need the right public policies to unlock our full potential.

From a global perspective, the United States enjoys inherent advantages. Our mineral endowment is immense and enviable. Our reserve base includes more than \$6.2 trillion worth of key minerals. Similarly, we possess the largest coal reserves in the world—they comprise 95 percent of our proven fossil fuel resource. In addition to our rich mineral endowment, we enjoy other inherent advantages including a global-leading workforce and top quality transportation and electricity infrastructure. These trends point to enormous growth and job-creation opportunities if U.S. mining is allowed to perform to its potential.

A key example of our underperformance can be viewed through the lens of resource potential—that is, if we compared our resource base to that of Australia or Canada and how those countries are using their resources to meet domestic and international needs. If we had produced to our resource potential for copper, molybdenum, and iron ore—basic ingredients for key sectors of our economy—an additional \$32 billion of revenue would have been registered in 2008. Multiply that by the value added to the GDP by major industries that convert these materials into finished products, and U.S. mining could have been the starting point for an additional \$1 trillion in economic output.

Impediments to Continued Job Growth in U.S. Mining

While the United States has some of the world's greatest mineral reserves and is unsurpassed in its coal resources, our ability to put these minerals to work for America is hindered by a costly and inefficient regulatory structure that thwarts investment and expansion.

While stagnant growth in the U.S. and elsewhere poses a real challenge for policymakers, we must address public policies that have placed high hurdles in our lane of the global race to remain competitive. In the middle of the biggest job crisis in the post-war period, we face an increasingly time-consuming, uncertain and sometimes adversarial regulatory culture that does not encourage economic growth, much less the job gains that come with it.

- Regulatory Burdens

American business faces a regulatory burden that according to a study conducted for the Small Business Administration imposes a \$1.75 trillion hidden tax—an amount that equals 14% of the national income. To his credit, the President ordered federal agencies to review their regulatory programs to remove overly burdensome and duplicative regulations. However, the results recently announced by the agencies are underwhelming with a mere \$10 billion of burdens identified for reduction over five years. This disappointing result amounts to about 0.5 percent of the annual burden. Surely we can do better.

Going forward, more rigor and discipline should be required in justifying new regulatory burdens. Just as our laws require agencies to take a hard look at the environmental impacts of proposed actions, our laws should also require agencies to take a hard look and consider the economic impact of their regulations. And such a requirement should apply not only to their rulemakings, but to the massive amounts of guidance documents propounded by these agencies that create additional regulatory costs and uncertainty that evade review.

When agencies do assess the economic impacts of their actions they typically avoid assessing the cumulative impact of all their planned actions and, to make matters worse, they may underestimate the costs and overstate the benefits. The Environmental Protection Agency's (EPA) suite of proposals for electric power plants is a contemporary example of this incomplete and unbalanced assessment. The cumulative impact of the suite of EPA power plant rules are staggering in terms of the loss of electricity generating capacity and reliability, capital costs, energy prices and jobs.

- EPA has not conducted a cumulative assessment, but the agency's piecemeal evaluation projects that power plant retirements forced by individual rules could be as little as none or as much as 9,000 megawatts. Cumulative assessments by investment banks and others project that these rules will force the retirement of anywhere from 40,000 to 70,000 megawatts of electric generation capacity in this country by 2015. The Federal Energy Regulatory Commission has advised EPA that it could be as high as 81,000 megawatts.
- EPA estimates that the rules would increase electricity prices by 7 percent while other studies show increases three times higher than EPA's estimate in

some regions along with a 17 percent increase in natural gas prices. As for jobs, NERA Economic Consulting found that job losses exceed job gains by more than 4 to 1 with net employment loss of 1.4 million jobs over seven years.

- On the benefit side of the assessment, EPA's analysis of the Utility MACT rule—potentially the most costly of all the power plant rules under consideration—discloses that the net benefit is negligible because the regulated emissions are already being reduced and will be further reduced by other regulations under the Clean Air Act. On closer inspection, virtually all of the claimed benefits are either the product of emissions reductions from other regulations or by counting potential benefits from reductions below the level the agency has established as necessary for protecting public health.

The closure of existing coal power plants will destroy existing jobs and the failure to build new more efficient coal plants will cost even more in terms of jobs, electricity prices and supply diversity and reliability. The same rules that will force an unprecedented amount of retirements of electricity generation capacity also propose standards that may make construction of new coal plants infeasible. A study by Energy Ventures Analysis found that new coal plants create more construction and permanent employment than any other electricity generation option. *Employment Impacts Associated with Electric Generation Options* (jobs created per billion dollars invested: coal=9,166 jobs; natural gas=7,640 jobs; wind=1,053 jobs). And new coal plants pay not only economic dividends in terms of job creation, affordability and reliability, but environmental dividends as well in terms of performance with substantially lower emissions than the plants they replace.

And EPA is not the only agency proposing rules that will impact the ability to retain and grow jobs in the mining industry. The Department of the Interior Office of Surface Mining (OSM) has announced plans to revise rules governing mining operations around streams. An initial impact analysis by OSM consultants predicts the rule will destroy more than 20,000 jobs. And yet, OSM has never explained the need to revise the same rules it recently finished in 2008. Nor has OSM explained why another revision is in order on this subject when regulations under other federal and state laws already exist for addressing mining activities nearby streams.

Agencies may prefer to conduct their regulatory business in a piecemeal fashion, but the business community does not make investment decisions based upon a single rule. Moreover, an unbalanced regulatory system that allows or compels policymakers to turn a blind eye to the economic costs of regulations does not serve us well in either good or bad economic times. Both H.R. 10, the "Regulations From the Executive in Need of Scrutiny (REINS) Act", and H.R. 2401, the "Transparency in Regulatory Analysis of Impacts on the Nation (TRAIN) Act", would bring greater accountability and balance to our regulatory process.

- Inefficient Permitting Process

As the burden of regulations increase so does the complexity and time it requires to obtain permits and authorizations necessary to commence job-creating enterprises. The length, complexity and uncertainty of the permitting process are the primary reasons investors give for not investing in U.S. minerals mining.

This is not a new problem. Over a decade ago, the National Academy of Sciences' National Research Council found that:

Th[e] process has become much slower and more costly than was originally intended or than it needs to be. It commonly imposes data collection and analysis requirements on the applicant and the regulatory agency that are poorly coordinated, excessively expensive, and of uneven value in protecting the environment. Mining operators are entitled to a permitting process that is as timely and cost effective as possible while still achieving compliance with all statutes and regulations.

National Resources Council, *Hardrock Mining on Federal Lands*, p. 54 (1999).

For several consecutive years, Behre Dolbear, the international consulting firm that advises mining companies globally, has identified the U.S. as having one of the longest permitting processes in the world for mining projects, placing domestic mining investments at a competitive disadvantage. Behre Dolbear, *Where Not to Invest* (2010). More recently, the Department of Energy identified the 7-10 year period to obtain permits in the United States—as compared to the average 1-2 years in Australia—as one of the principal barriers to new mining ventures in the U.S. USDOE, *Critical Materials Strategy* p. 104-05 (Dec. 2010).

Rep. Lamborn's bill, H.R. 2011, the "National Strategic and Critical Minerals Act", is a critical first step in identifying and addressing the choke points in the process so we can produce a better outcome more efficiently. We appreciate this committee's unanimous approval of that bill.

Coal miners confront unprecedented regulatory risk from changes to the permitting process. The Army Corps of Engineers has diminished the permitting options available to secure Clean Water Act § 404 permits. The EPA has commandeered the § 404 process by displacing the Corps, ignoring state water quality certifications, and imposing new procedures and new standards through guidance documents. The result is a de-facto moratorium on permits to expand or open mines in Central Appalachia. One-third of the nation's coal supply is impacted and tens of thousands of jobs are at risk according to a Senate Environment and Public Works Committee analysis.

Our membership with operations outside the Appalachian Coal Region also report more delays in securing CWA §404 permits—in some cases extending to five years. And, we have entered uncharted territory in terms of regulatory risk with the

EPA's unprecedented retroactive revocation of a coal mine permit issued by the Corps of Engineers.

H.R. 2018, the "Clean Water Cooperative Federalism" Act, passed by the House of Representatives draws a much needed line that EPA should respect but so often ignores. This legislation would restore balance and greater certainty that all businesses need to move forward with job-creating investments.

Conclusion

If "Job One" is creating more jobs for Americans, the mining industry is positioned to serve as the front-end of the supply chain with the energy, minerals and materials so many of sectors of our economy require to be successful. Our positive contribution to U.S. job creation over the past decade can be even greater with constructive and balanced improvements to the public policy environment that support greater investments in domestic mining.