

*Potential Effects of Section 3 of the Federal
Coal Leasing Amendments Act of 1976*

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OTA SPECIAL REPORT

**Potential Effects
of Section 3 of the
Federal Coal Leasing
Amendments Act
of 1976**



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FOREWORD

Section 3 of the Federal Coal Leasing Amendments Act of 1976 (FCLAA) forbids the issuance of any new Federal onshore mineral leases to any person or company that owns a Federal coal lease that is not producing coal in commercial quantities and has been held for 10 or more years. This disqualification also applies to all related business entities controlled by or under common control with the noncomplying coal lessee. The potential impacts of section 3 disqualifications extend beyond coal leasing to all Federal onshore mineral leases, and to onshore oil and gas leases in particular.

The first section 3 disqualifications were to begin August 4, 1986, however, a provision in the Continuing Appropriations Resolution for Fiscal Year 1986, Public Law 99-190, delayed the effect of section 3 to December 31, 1986. Legislation to modify the section 3 penalty has been introduced in Congress. But these legislative proposals raise difficult issues involving Federal coal leasing policy, energy supply, and competition.

This OTA special report analyzes the potential effects of section 3 and legislative options for promoting timely production from Federal coal leases. It was prepared at the request of the House Committee on Interior and Insular Affairs. This report draws on information and analyses from OTA's past work on coal leasing including the 1981 report, *An Assessment of Development and Production Potential of Federal Coal Leases*, and the OTA technical memorandum, *Patterns and Trends in Federal Coal Lease Ownership 1950-80*. The information in these reports was updated as needed.

OTA's analysis of alternative legislative options and our assessment of the likely section 3 compliance status of Federal coal lessees should prove useful to the Congress in considering proposals for modifying the production requirements for Federal coal leases.

OTA thanks the many companies, organizations, government agencies, and individuals who assisted us in preparing and reviewing this special report. We particularly acknowledge the special contributions made by the participants in OTA's May 1985 workshop to the analysis of alternative legislative options for amendment or repeal of section 3.



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