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SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE 4/30/88

4/25/88
Mr. President:

FINANCE Committee considered SB 510

ceiling on the state's royalty rate on coal leases; efd

and recommended

replace with CS SB 510 (FIX)) same title
 or adopt CS) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

[Signature] No Rec

[Signature]
Chairman signature and recommendation

Committee Backup attached

FISCAL NOTE

REQUEST: _____

Revision Date: _____ Agency Affected: _____
 Title: SB 510 An Act relating to a ceiling BRU: Minerals Management
on the state's royalty rate on coal leases
 Sponsor: Fahrenkamp Components: _____
 Requestor: Senate Resources _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS					0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The Department of Natural Resources anticipates no additional expenditures will be necessary to implement this legislation, however, there will be revenue impact, as discussed on the attached sheet.

Prepared by: Lawrence Ostrovsky Phone: 4/21/88
 Division: Commissioner's Office Date: 465-2400

Approved by Commissioner: Judith M. B... Date: 465-2400
 Agency: Department of Natural Resources

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

RECEIVED
APR 26 1988

LEGISLATIVE FINANCE

Fiscal Impact of SB 510

<u>Year</u>	<u>Coal Tonnage</u>	<u>Producers</u>	<u>5% AGV Revenue</u>	<u>SB 510 Revenue</u>	<u>Annual Revenue Loss</u>	<u>Cumulation Revenue Loss</u>
1988	1,600,000	UCH	\$1,536,000	\$480,000	\$1,056,000	\$1,056,000
1989	1,600,000	UCH	\$1,536,000	\$480,000	\$1,056,000	\$2,112,000
1990	1,600,000	UCH	\$1,536,000	\$480,000	\$1,056,000	\$3,168,000
1991	2,600,000	UCH and Wishbone	\$2,496,000	\$780,000	\$1,716,000	\$4,884,000
1992	2,600,000	UCH and Wishbone	\$2,496,000	\$780,000	\$1,716,000	\$6,600,000

Prepared by: DNR Division of Mining
April 22, 1988

Fiscal Note for SB 510

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Official Business

Alaska State Legislature

SENATE

Committee on Finance

JB 3
4/30/88

P.O. Box V
State Capitol
Juneau, Alaska 99811

SENATE LETTER OF INTENT

SENATE BILL 510

It is the intent of the Legislature that the Senate Committee on International Trade prepare an analysis of Alaska's coal royalty and tax structure to determine ways to encourage the export of Alaska's coal while maintaining a fair return to the State of this non-renewable resource. In addition, the Committee will consider and report on various incentive opportunities and scientific research needs that will stimulate greater production and utilization of Alaska coal. This analysis and report shall be submitted to the Legislature by January 20, 1989.

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4/30/88

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IN THE SENATE BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 510 (Finance)
IN THE LEGISLATURE OF THE STATE OF ALASKA
FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the state's royalty rate on coal leases; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Notwithstanding other provisions of AS 38.05.150, the royalty for coal under AS 38.05.150(d) shall equal one and one-half percent of the adjusted gross value of each 2,000 pounds of coal.

* Sec. 2. This Act applies to coal leases in existence on the effective date of this Act.

* Sec. 3. Section 1 of this Act is repealed four years after the effective date of this Act.

* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

4/29/88
John Sims

THE CASE FOR ROYALTY RELIEF

In the past royalties on coal extracted from state leases were set on a cents per ton (2000 lbs) basis. The only production leases that provided this modest royalty flow in recent times were on Usibelli Coal Mine where until 1987 the rate in effect was 5 cents per ton on one lease and 10 cents per ton on another (average say 7.5 cents per ton). Back in 1982 the State of Alaska adopted new regulations relating to coal on state lands setting new royalty levels and rentals for state coal leases. The first impact of these changes, which were vigorously opposed by the coal industry at the time, occurred when the renewal of UCM's main production leases became due in 1987. The State's DNR had no alternative but to implement the new provisions. As a consequence the royalty rate increased from an historic level of approximately 7.5 cents per ton to a figure of 5% of Adjusted Gross Value computed to be equivalent to 96 cents per ton. This was a one step increase of +1300% and is in addition to a mining production (license) tax, corporate income taxes, lease acreage rentals, black-lung tax, etc. levied by the state and federal governments. Usibelli Coal Mine faced with this royalty hike and given the current extremely difficult and sensitive situation in international markets decided to petition for relief from the full impact of the royalty hike. It is well to be aware that acts of government such as tax modifications and royalty changes are provided for in standard coal contracts as pass-throughs to the customer. Following established practices UCM would pass royalty hikes onto its customer base both at home and abroad.

Under the prevailing State of Alaska regulations, petition for relief can be made on the grounds of "inability to operate the lease successfully at the royalty level" or as a means of "promoting development". UCM clearly based its request for relief on the "promote development" provisions allowed in the regulation.

Despite overwhelming testimony in favor of royalty relief at the February public hearing in Fairbanks, Commissioner of Natural Resources decided to implement in phases the full 5% AGV formula over the period May 1, 1987 to May 1, 1990. Faced with this adverse decision issued on April 8th, 1988 in response to its petition filed on October 19, 1987, UCM has only two avenues available:

- 1) Petition the Commissioner for reconsideration - an option which is being pursued.

- 2) Seek a Legislative solution to the issue.

The latter is the subject of bills which have been introduced in both the Senate (SB 510) and the House of Representative (HB 560). I urge you to support the legislative remedy as a clean-cut expeditious means of resolving the problem.

Consistent with the "promote development" justification pursued by UCM, I offer the following comments:

- 1) Faced with a possible \$1.00 per ton increase in price the Suneel (Alaska) - KEPCO contract could falter. At present a provisional price for 1988 is in effect and any attempt to collect the royalty hike could jeopardize the contract even leading to cancellation at the end of 1988. The situation is in reality extremely serious.

- 2) UCM is poised to initiate discussions with Taipower for a

coal supply contract, following a test program conducted in 1987, which could match the tonnage being sold to South Korea. This initiative certainly cannot proceed and stands no chance of success unless royalty relief is granted.

3) Similarly an added component of cost in the form of the higher royalty would certainly dampen opportunities currently in a preliminary stage with Japanese interests.

Loss of opportunity inherent in the above actions falls fairly and squarely into the "promote development" provision of the regulations.

UCM is optimistic about its future and indeed the future of a much broader and diversified coal mining industry in Alaska providing that opportunity is nurtured and fostered by government actions not squashed and choked off. You should be aware that some encouragement for Alaska coal in international markets is taking place as rival currencies such as the Canadian and Australian units strengthen against the U.S. dollar. There are welcome signs that the glutted oversupply situation is also correcting itself and coal prices are holding steady and very selectively have improved. Alaska coal is still the most expensive coal on a delivered heat-value basis and needs every bit of encouragement and assistance.

This is no time to "shoot ourselves in the foot". I believe that as economies of scale emerge and as critical mass is generated from our present small coal industry the levels of royalty inherent in a 5% AGV formula might be reasonable. For the present and certainly into the foreseeable future it is important to do everything we can to promote the industry, and royalty constraint is a fundamental element

of promoting the development of an abundant energy resource. It is fallacious to compare Alaskan coal royalties with other coal producing states such as New Mexico, Wyoming and Colorado where the industry is established and where costs of doing business are that much lower. Note however that in the face of extreme competition the tendency has been to reduce royalties and/or severance taxes in certain states.

The action that is needed is clear and simple. Support the legislation which sets royalties at a reasonable level and assures continuing growth and interest in Alaska's coal industry.

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Suneel Alaska Corporation
Seward Coal Terminal

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903 OLD AIRPORT ROAD # 2
P.O. BOX 1700 (500)
SEWARD, ALASKA 99664

August 17, 1987

Suneel
Mr. No 11

The Honorable Judy Brady
Commissioner of Natural Resources
5th Floor, Willoughby Center, Pouch M
Juneau, Alaska 99811

Dear Commissioner Brady:

Thank you for our recent telephone conversations regarding State royalty on coal. As I indicated, Suneel is deeply concerned with any possible increase in royalty--or any other cost--which would put Alaskan coal in an even more non-competitive position.

Suneel's recommendation is that the royalty levied not be changed from its current structure. Any increase would certainly threaten the existing export contract to Korea and would definitely impact negatively the marketing efforts in Taiwan and Japan. The Taiwanese project has grown to the point of two trial shipments of a total of 120,000 metric tons. If tests in Taiwan are successful, which should be known by January 1988, there is the Taiwan-announced potential of a Taiwan export contract equal to Korea's. That would mean contracts of 800,000 metric tons each to Korea and Taiwan (plus or minus 20%). This 1.6 million metric tons, then, would mean a great deal for all the components of the coal-export industry. Let me illustrate this point with some figures as we have recorded them.

Suneel's mid-1987 analyses of dollars poured into the Alaskan economy since the inception of the coal export project are as follows. Please note that these figures do not include interest, depreciation nor ocean/freight. These are cash dollars spent in Alaska.

	(millions)
-- Planning phase, 1981-1984.	\$ 2.286
-- Construction phase, 1984. (Seward Coal Terminal, Suneel investment, not including public funds for dock and dredging).	\$ 16.688
-- Coal purchases from mine, 1984-mid-1987.	\$ 32.871
-- Rail freight, invoiced through mid-1987 by Alaska Railroad.	\$ 13.771
-- Seward Coal Terminal operations to mid-1987, not including interest and depreciation.	\$ 5.362
-- Other, including port charges, tugs, agent fees, etc.	\$.750

Grand Total : \$ 71.728

~~\$ 85~~ *update*

By the time you receive this letter the grand total will exceed \$ 75 million because more ships will have sailed to Korea and Taiwan.

It is our position that the coal export project is doing exactly what is needed in the Alaskan economy.

- It is providing needed jobs in a new (non-oil) sector.
- It is bringing new dollars into Alaska in appreciable amounts.
- It shows promise of continuance and even expansion.

Unfortunately, but realistically, there is great competition from other international coal suppliers. Since we in Alaska have high moisture, sub-bituminous coal in such great abundance, we suffer a huge disadvantage in trying to compete. The Usibelli and Beluga coal deposits both contain 26 - 27% moisture, whereas other countries' exported coal contains 5 - 10% moisture. Graphically portrayed, this high moisture content means that every fourth rail car and ship is carrying water, driving the transportation cost element very high when compared to Australia, Canada, China, Columbia and South Africa.

Further exacerbating our position have been sharp price decreases negotiated year after year in the mid-1980's in coal supply contracts to Japan, Korea and Taiwan. Although there is some opinion that prices may have finally bottomed out with a recent Australian-Japan settlement, the prices settled upon have left the Usibelli-Suneel-Korea contract by far and away, one of the most expensive coals in the world of international coal trade.

It is not our intent here to cast too much of a pallor on our prospects. There is every reason for those of us in the business to continue our efforts, not the least of which are the in situ investments involved. Economics being what they are today, however, the last thing needed is an increase in royalties or other costs. Instead of that, Suneel recommends the State look with favor on certain other approaches which would enhance the sustaining of the current Korean contract and the expansion into new markets. Here are some examples by way of suggestion.

- Keep a watchful eye on the Matanuska Valley coal project. The coal there is bituminous, having both a lower moisture content and a higher BTU content than the sub-bituminous coal. Encourage the U.S. and Japanese companies involved. Not only is there the prospect for increased business in raw exports, but there is also the hope on Suneel's part that a blend of this higher quality coal with the sub-bituminous coal might yield a more effective export product for all.
- Inaugurate State-sponsored research on beneficiation of sub-bituminous coal, which might lead to lower water content and higher BTU content. This could be done through several vehicles, with the University of Alaska Fairbanks being one of the prime candidates. Coordinate with private industry interest in this area, to the point of actual joint-funding of such projects.

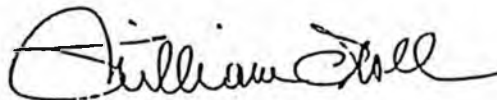
PAGE 3

-- Work with private industry on ways to cut costs generated by regulations.
At minimum, do not increase costs, neither in regulatory areas nor in royalties.

Suneel will be available for further consultation on this important subject. We hope you share with us an understanding of the coal market's competitiveness. We hope you also understand the job-dollar benefits this new industry is bringing to Alaska. Suneel advises that any increase in royalties or other costs is a serious threat to existing and promising markets. We Alaskans would be shooting ourselves in the proverbial foot.

We look forward to your positive reply.

Respectfully,

A handwritten signature in cursive script, appearing to read "William C. Noll".

William C. Noll
Vice President

ATTN : MR. V. C. NOLL
SUNBEL ALASKA CORPORATION

JAPANESE IMPORT COAL PRICE(CIF BASIS)

(unit : CIF/MT)

	CHINA	USSR	CANADA	S.AFRICA	AUSTRALIA	EX. RATE
1983	¥12,900 US\$54.33	¥10,218 US\$43.01	¥14,535 US\$61.18	¥12,338 US\$51.93	¥13,284 US\$55.01	¥237.59/US\$
1984	¥11,680 US\$49.30	¥9,155 US\$43.13	¥11,513 US\$61.35	¥10,772 US\$45.47	¥12,156 US\$51.31	¥236.01/US\$
1985	¥11,606 US\$48.32	¥9,510 US\$39.60	¥10,413 US\$43.36	¥10,072 US\$46.68	¥10,528 US\$43.84	¥240.17/US\$
1986	¥7,763 US\$45.64	¥7,304 US\$42.94	¥7,492 US\$44.05	¥7,628 US\$44.85	¥7,497 US\$44.08	¥170.08/US\$
1987 Jan-Aug	¥5,874 US\$39.38	¥6,677 US\$38.06	¥6,234 US\$41.70	¥6,042 US\$40.51	¥6,228 US\$42.15	¥149.16/US\$

Remark :

- (1) The price listed is yearly average price.
- (2) The exchange rate listed is yearly average rate.
- (3) Recent custom monthly statistics, 1987 :

PRICE(US\$/CIF)

	July	August
CHINA	34.08	35.54
USSR	37.08	37.97
CANADA	42.59	40.00
S.AFRICA	42.24	37.80
AUSTRALIA	40.60	41.54

(4) Average calorific value is 0,700 - 0,800 Kcal/Kg on air dried basis.

c.c. MR. T. I. KIM

US COAL PRODUCTION

'000 short tons By region/state	Feb	Jan	Feb	Jan-Feb 1988		Jan-Feb 1987	
	1988	1988	1987	'000	'000	'000	'000
	'000st	'000st	'000st	st	tonnes	st	tonnes

BITUMINOUS COAL
& LIGNITE*

EAST

Alabama	2,153	2,223	2,039	4,376	3,969	4,166	3,778
Illinois	5,141	4,938	4,678	10,079	9,142	9,890	8,970
Indiana	2,651	2,506	2,543	5,157	4,677	5,205	4,721
Kentucky	13,163	13,256	12,270	26,419	23,962	24,608	22,319
Maryland	211	234	350	445	404	651	590
Ohio	2,770	2,879	3,008	5,649	5,124	5,933	5,381
Pennsylvania	5,260	5,364	5,838	10,624	9,636	11,083	10,052
Tennessee	505	520	536	1,025	930	1,097	995
Virginia	4,008	3,860	3,500	7,868	7,136	6,576	5,964
W. Virginia	11,477	11,607	10,826	23,085	20,938	21,959	19,917
Total	47,340	47,386	45,588	94,726	85,916	91,167	82,688

WEST

Alaska	144	138	98	282	256	200	181
Arizona	1,062	1,022	1,051	2,084	1,890	2,150	1,950
Arkansas	5	5	4	10	9	8	7
Colorado	1,239	1,213	1,143	2,452	2,224	2,213	2,007
Iowa	36	35	35	70	63	72	65
Kansas	135	129	138	264	239	282	256
Louisiana	213	229	184	442	401	376	341
Missouri	331	320	354	651	590	751	681
Montana	3,587	3,085	2,409	6,672	6,051	5,197	4,714
New Mexico	1,733	1,819	1,514	3,552	3,222	3,206	2,908
N. Dakota	2,017	1,929	2,043	3,946	3,579	4,425	4,013
Oklahoma	240	215	164	456	414	405	367
Texas	4,046	3,895	4,077	7,941	7,202	8,298	7,526
Utah	1,609	1,575	1,359	3,184	2,888	2,677	2,428
Washington	401	386	328	788	715	670	608
Wyoming	13,596	11,494	10,764	25,090	22,757	23,409	21,232
Total	30,395	27,489	25,665	57,884	52,501	54,342	49,288

TOTAL	77,736	74,874	71,253	152,610	138,417	145,509	131,977
Pennsylvania anthracite	341	274	264	615	558	520	472

US TOTAL	78,077	75,148	71,517	153,225	138,975	146,029	132,448
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*inc. subbituminous coal

LATEST UPDATE:

	Bituminous coal & lignite		Pennsylvania anthracite	
	'000st	'000t	'000st	'000t
Week ended 12 Mar 1988	17,985	16,312	76	69
Week ended 14 Mar 1987	17,187	15,589	70	63
Week ended 5 Mar 1988	18,718	16,977	80	72
Week ended 7 Mar 1987	17,285	15,677	73	66

NB: All figures are provisional

CANADIAN COAL AVAILABILITY & EXPORTS

tonnes	November 1987	October 1987	November 1986	Jan-Nov 1987	Jan-Nov 1986
Production					
Coking coal	2,440,296	2,113,996	1,802,150	20,672,383	20,729,941
Bituminous steam	923,181	1,216,224	920,237	9,066,324	8,927,485
Subbituminous steam	1,740,356	1,619,406	1,544,988	16,749,051	15,771,229
Lignite	872,075	873,000	801,922	8,982,063	7,532,989
Total	5,975,908	5,822,626	5,069,297	55,469,821	52,961,644
Stocks at Mine and Plant					
Opening	4,890,386	5,139,121	3,508,739	4,430,108	4,042,949
Closing	4,830,803	4,890,386	3,507,957	4,830,803	3,507,957
Adjustments	-2,821	794	-41,607	-54,883	373,600
To US by rail	2,272	4,375	8,080	82,293	136,373
To port	2,717,543	2,618,278	2,246,232	23,792,340	24,172,674
Port Inventory					
Opening	2,007,354	1,955,546	2,297,896	2,908,355	2,364,069
Closing	2,531,866	2,009,318	2,415,344	2,531,866	2,415,344
Adjustments	-1,835	-31,872	-1,867	-45,740	17,550
Shipped from Port					
Belgium/Luxembourg	-	-	3,000	-	123,084
Brazil	110,000	-	45,014	1,099,546	1,130,463
Chile	-	30,782	60,014	153,426	177,461
Denmark	-	142,148	-	301,819	277,746
France	163,648	-	117,366	599,476	927,921
Hong Kong	-	103,300	-	313,401	249,200
Italy	-	-	-	20,717	-
Japan	1,191,772	1,623,528	1,180,027	15,354,242	16,566,595
Mexico	-	-	-	-	51,025
Netherlands	-	55,793	-	222,992	110,883
Pakistan	39,000	-	-	188,535	189,858
Philippines	-	-	-	-	60,490
Portugal	57,604	-	-	206,906	34,895
St. Pierre-Miq	73	-	36	73	108
S. Korea	390,184	218,245	530,440	3,470,652	2,651,184
Sweden	34,476	117,716	82,413	352,025	280,490
Taiwan	-	100,170	-	564,715	548,764
Turkey	-	-	-	52,946	-
UK	55,390	56,432	56,000	334,086	327,912
US	149,049	84,520	27,537	676,107	191,867
W. Germany	-	-	25,070	211,425	178,193
Yugoslavia	-	-	-	-	60,810
Total	2,191,196	2,532,634	2,126,917	24,123,089	24,138,949

EXPORTS BY TYPE:		November 1987	October 1987	November 1986	Jan-Nov 1987	Jan-Nov 1986
Alberta	Steam	2,123	191,533	133,979	897,927	1,110,013
	Coking	341,429	403,484	168,974	3,590,683	4,163,788
British Columbia	Steam	279,609	414,615	312,607	2,873,155	2,915,327
	Coking	1,535,758	1,489,832	1,435,026	16,403,253	15,607,355
Canada	Steam	281,805	620,325	484,330	3,785,332	4,169,429
	Coking	1,911,663	1,916,684	1,650,667	20,420,050	20,112,484

Source: Statistics Canada

AUSTRALIAN COAL EXPORTS

'000 tonnes Final destination	December 1987 ^p		December 1986		Jan-Dec 1987	Jan-Dec 1986
	'000t	AS/(t(1))	'000t	AS/(t(1))		
COKING COAL						
Algeria	57	56.42	56	72.85	339	399
Argentina	-	-	-	-	304	32
Belgium/Lux	62	54.09	-	-	460	-
Brazil	48	49.14	76	61.66	1,519	773
China	23	58.56	68	72.51	271	500
Egypt	-	-	45	58.41	311	303
France	319	49.92	351	55.54	2,401	2,210
India	332	54.49	230	73.83	2,678	2,550
Iran	33	50.98	-	-	347	448
Italy	283	51.92	537	60.02	2,141	2,111
Japan	2,762	53.92	2,674	67.18	27,283	26,977
Netherlands	68	57.40	301	56.83	1,225	954
Pakistan	40	56.38	40	72.60	543	583
Portugal	35	47.17	-	-	100	-
Romania	224	61.00	195	71.04	2,000	883
S. Korea	198	60.38	324	71.84	3,333	3,232
Spain	153	55.12	189	61.05	897	961
Sweden	125	47.89	-	-	747	378
Taiwan	262	60.47	370	67.77	2,405	1,979
Turkey	136	50.40	-	-	2,259	513
UK	249	49.89	323	62.37	2,892	2,425
Vietnam	10	45.54	-	-	38	31
Yugoslavia	-	-	44	72.91	172	320
Other	-	-	134	43.84	190	158
Total	5,421	54.07	6,010	64.82	54,853	48,720
STEAM COAL						
Belgium/Lux	32	46.26	138	52.42	151	1,358
Chile	-	-	-	-	104	102
Denmark	202	31.37	286	35.87	2,941	3,163
Fiji	5	47.95	-	-	16	15
Finland	-	-	-	-	37	188
France	71	31.63	69	35.52	1,206	2,459
Greece	-	-	-	-	688	404
Hong Kong	104	45.45	256	43.78	2,808	2,611
India	34	29.13	-	-	278	116
Indonesia	132	35.57	87	44.13	993	1,234
Israel	135	39.00	-	-	682	653
Italy	-	-	104	52.84	176	357
Japan	1,648	44.81	1,428	49.54	19,776	14,970
Lebanon	-	-	-	-	70	-
Malaysia	-	-	18	45.26	237	104
Netherlands	599	34.93	237	44.17	4,458	3,874
New Caledonia	-	-	-	-	120	92
Norway	-	-	-	-	122	63
Philippines	-	-	66	42.75	399	613
S. Korea	200	39.02	559	44.69	4,151	5,379
Spain	-	-	63	36.13	294	732
Sweden	-	-	65	49.82	457	639
Switzerland	-	-	-	-	341	81
Taiwan	600	33.54	292	43.12	4,457	3,058
Thailand	36	37.64	-	-	210	104
UK	113	51.17	-	-	823	131
US	22	42.22	-	-	214	57
W. Germany	155	41.80	57	49.51	695	600
Other	-	-	-	-	223	144
Total	4,090	39.93	3,726	45.97	47,126	43,302
TOTAL	9,512	***	9,736	***	101,979	92,022

p=provisional (1) FOB US\$1=AS\$1.4217 in Dec 1987/AS\$1.5326 in Dec 1986
 NB: Annual totals are taken from Joint Coal Board data and do not equal the sum of monthly exports supplied by the Australian Bureau of Statistics (fiscal year-based); there are slight differences in time period and coal type definitions. The ABS figures are useful for following monthly trends while the JCB gives a calendar year total.

AUSTRALIAN COAL EXPORTS

'000 tonnes Final destination	January 1988 ^p		January 1987	
	'000t	AS/t(1)	'000t	AS/t(1)
COKING COAL				
Algeria	-	-	58	74.81
Brazil	48	48.09	95	64.98
China	51	58.11	80	70.28
France	184	52.74	216	57.06
Greece	-	-	100	36.03
Hong Kong	103	40.41	63	40.85
India	265	55.80	229	73.59
Iran	64	50.25	71	68.29
Italy	197	45.17	194	58.19
Japan	2,233	52.28	2,118	65.42
Netherlands	61	53.78	194	53.85
Pakistan	78	58.63	41	67.18
Romania	182	59.80	-	-
S. Korea	254	54.90	136	63.31
Spain	79	47.06	-	-
Taiwan	423	54.77	81	62.94
Turkey	364	46.15	54	64.48
UK	219	47.70	188	63.16
W. Germany	-	-	105	38.81
Yugoslavia	162	54.62	47	66.15
Total	4,969	52.03	4,070	62.81
STEAM COAL				
Denmark	77	41.94	186	36.23
France	66	35.17	244	41.68
Hong Kong	296	37.27	250	43.15
India	66	28.34	54	46.86
Indonesia	37	28.32	40	38.09
Japan	1,886	43.43	1,430	49.78
Malaysia	33	34.87	-	-
Netherlands	113	38.70	538	43.00
New Caledonia	20	34.81	-	-
Norway	-	-	59	41.25
Philippines	56	30.44	-	-
S. Korea	427	36.01	390	47.95
Sweden	137	36.43	-	-
Switzerland	-	-	54	28.30
Taiwan	658	37.17	286	45.68
UK	33	34.86	-	-
Total	3,906	39.77	3,531	45.82
TOTAL	8,875	■ ■ ■	7,601	■ ■ ■

NB: Volumes of less than 1,000 tonnes are included in totals but not listed separately.

p=provisional (1) FOB US\$1=A\$1.4091 in January 1988/AS\$1.6117 in January 1987

Source: Australian Bureau of Statistics

1 IN THE SENATE

BY THE SENATE SPECIAL
COMMITTEE ON OIL AND GAS

2

SENATE BILL NO. 510

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to a ceiling on the state's royalty rate on coal leases; and providing for an effective date."

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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* Section 1. AS 38.05.150(d) is amended to read:

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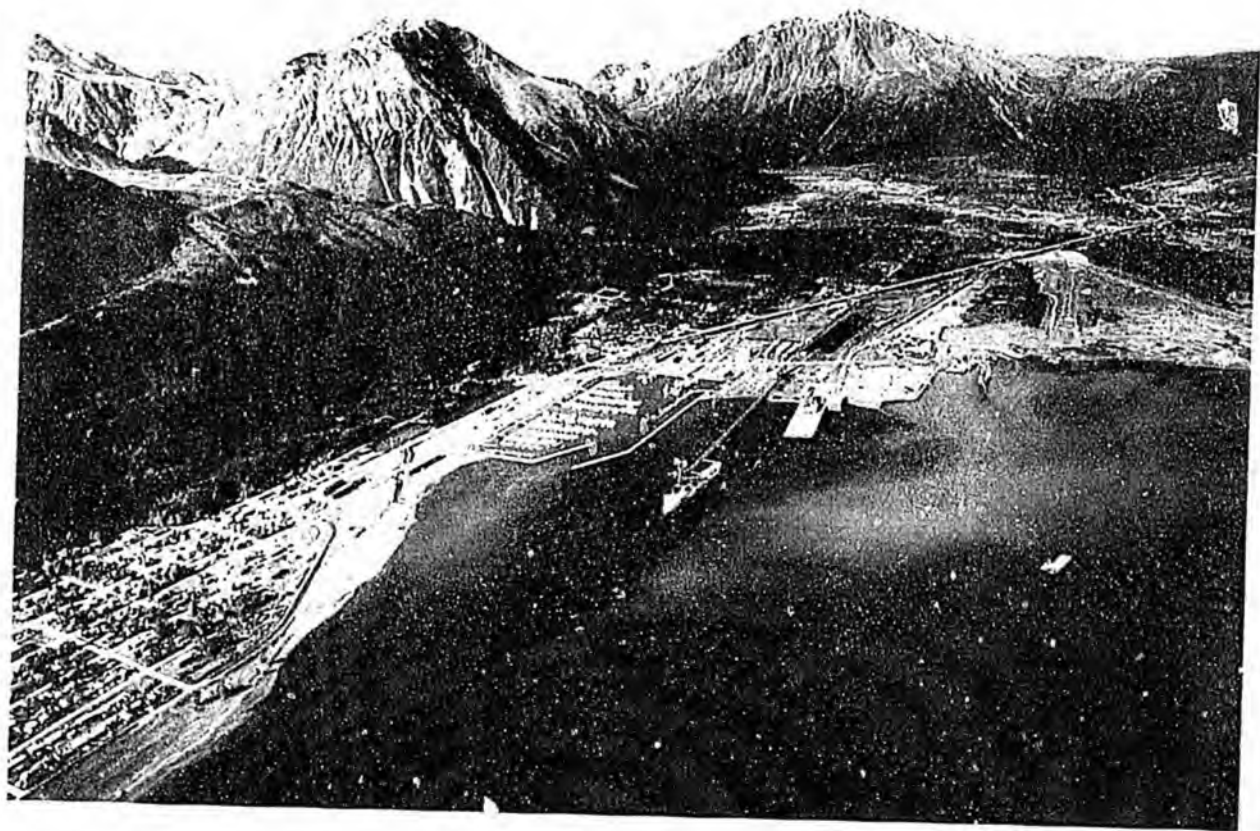
29

(d) For the privilege of mining or extracting the coal in the land covered by the lease, the lessee shall pay to the state the royalties specified in the lease. The royalties shall be fixed before offering the lease, and shall be effective for a period of not more than 20 years. The royalties may [SHALL BE] not be less than five cents or more than 30 cents for each [A TON OF] 2,000 pounds and may not be calculated on another basis. The lessee shall also pay an annual rental, payable at the date of the lease and annually thereafter, on the land or coal deposits covered by the lease, at a rate fixed by the commissioner before offering the lease. The annual rental shall be effective for a period of not more than 20 years. The annual rental may [SHALL BE] not be less than 25 cents an acre for the first year of the lease, not less than 50 cents an acre for the second year, third year, fourth year, and fifth year, and not less than \$1 an acre for each year thereafter during the continuance of the lease. The rental for each year shall be credited against the royalties as they accrue for that year. Each lease must [SHALL] provide that the annual rental payment is subject to adjustment at intervals of no more than 20 years and adjustments shall be based on the current rates for

1 properties similarly situated.

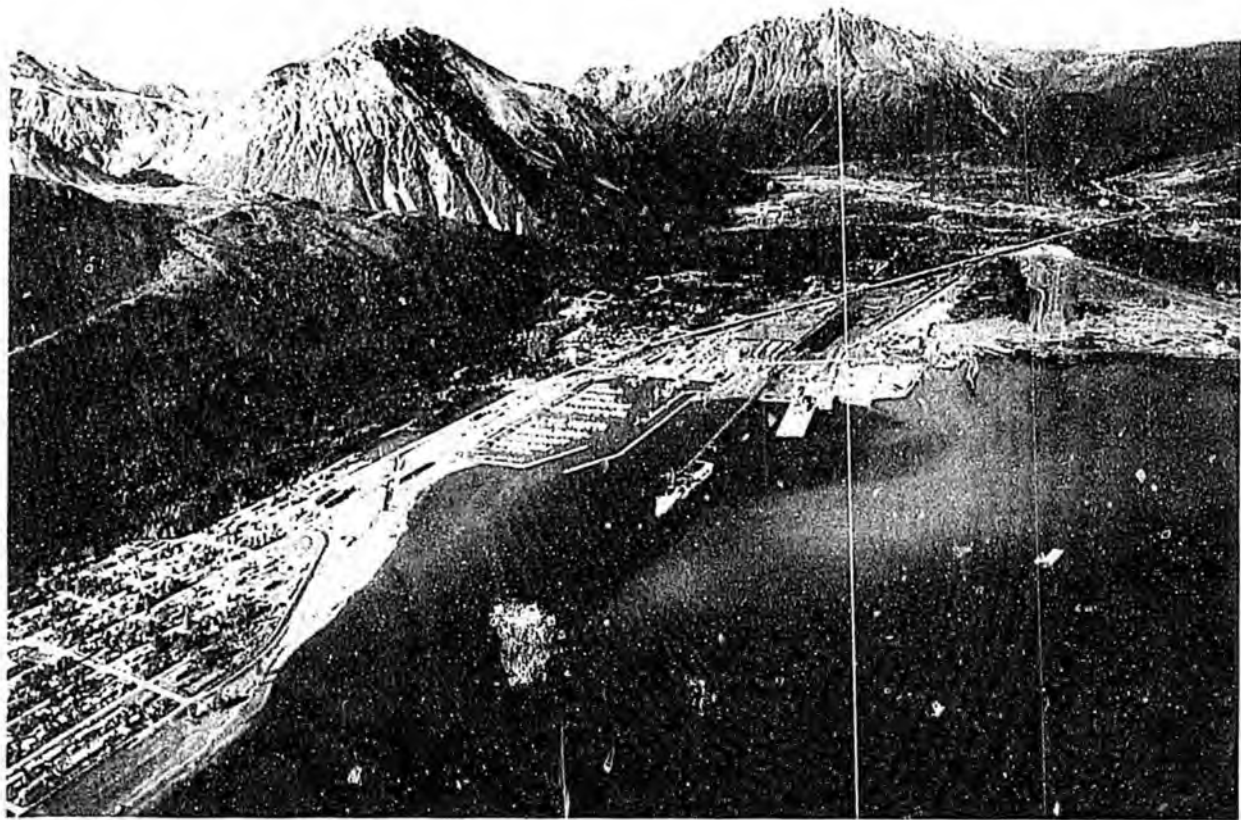
2 * Sec. 2. This Act applies to coal leases in existence on the effective
3 date of this Act.

4 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).





DUE TO POOR CONDITION
OR CONTRAST CHARECTERISTICS
OF THE ORIGINAL DOCUMENT THE
PRECEEDING IMAGE IS THE
BEST REPRODUCTION
OF THAT DOCUMENT



4/29/88
DNR
Callagher

ESTIMATED STATE REVENUE IMPACTS OF SB 510

<u>Year</u>	<u>Coal Produced (tons)</u>	<u>Producer</u>	<u>Revenue At 5% AGU</u>	<u>Revenue via DNR 4/8/88 Decision</u>	<u>Maximum Revenue Under SB 510</u>	<u>Projected Revenue Loss with SB 510</u>
FY 89	1,500,000	UCM	\$1,440,000	\$900,000	\$450,000	\$450,000
FY 90	1,500,000	UCM	\$1,440,000	\$1,350,000	\$450,000	\$900,000
FY 91	2,000,000	UCM/Wishbone*	\$1,920,000	N/A	\$600,000	\$1,320,000
FY 92	2,500,000	UCM/Wishbone	\$2,400,000	N/A	\$750,000	\$1,650,000
FY 93	2,500,000	UCM/Wishbone	\$2,400,000	N/A	\$750,000	\$1,650,000

*Assume 6 months production at Wishbone Hill

Prepared: 4/27/88, DNR



Alaska State Legislature


SENATE SPECIAL COMMITTEE ON OIL AND GAS

SENATOR BETTYE FAHRENKAMP
CHAIRMAN
SENATOR JACK COGHILL
SENATOR PAUL FISCHER

P.O. BOX V
JUNEAU, AK 99811
(907) 465-3834

M E M O R A N D U M

TO: Senator Halford, Co-Chairman
Senate Finance Committee

FROM: Senator Bettye Fahrenkamp, Chairman
Senate Special Committee on Oil and Gas 

RE: SB 510, An Act relating to a ceiling on the state's
royalty rate on coal leases; and providing for an
effective date.

DATE: April 22, 1988

Please consider scheduling SB 510 at your earliest convenience.

Current statutes require state royalties to be paid for the privilege of mining or extracting coal. Royalty rates are not permitted to be set lower than five cents per ton. However, a maximum rate has not been set. This lack of legislative direction has allowed the Department of Natural Resources to establish, by regulation, royalty rates of five percent of adjusted gross value.

SB 510 would require that the existing methodology of setting coal royalty rates on a cents per ton basis be maintained, and would establish a ceiling of thirty cents per ton for all coal leases.

This kind of stability in setting royalty rates will encourage continued coal production and development for both foreign and domestic markets.

Thank you for your consideration.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

4/19/88 DATE TURNED INTO OFFICE _____
Mr. President:

RESOURCES Committee considered SB 510

ceiling on the state's royalty rate on coal leases; efd

+ reports it back as follows

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

DFW

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

[Signature]
[Signature]

OTHER RECOMMENDATIONS

[Signature] No Rec
[Signature] No Rec

[Signature]
Chairman signature and recommendation

Committee Backup Attached