

Millennium Bulk Terminals, DEIS Comments

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My name is Ross Macfarlane, and I reside at 12571 Corliss Ave. N. #A, Seattle, Washington, 98133. I am providing these comments as an individual.

I am focusing on two issues: the analysis of global warming pollution in the Draft Environmental Impact Statement and the collapse of the global coal market. I support the no-action alternative in the DEIS.

Global Warming Pollution

Washington and the US have committed to reducing emissions of carbon dioxide and other pollutants that are causing the climate catastrophe. Although the DEIS correctly identifies this project as a huge source of GHG emissions, it significantly underestimates the total impact. The Draft EIS uses complex modeling to estimate the terminal's impact on Asian coal consumption. This analysis is speculative and can yield wildly varying conclusions depending on the assumptions. Although the modeling is perhaps useful for purposes of discussion, the final EIS should clearly highlight and disclose the one thing we know for certain – the total emissions that will result from the coal shipped through the terminal. It is clear that the coal is only shipped to be burned. It is also clear that, with markets for Powder River Basin coal collapsing, much if not all of this coal would not be mined or burned if the project is not built.

The information in the DEIS indicates that these emissions would be extremely significant, and far beyond any potential mitigation. The DEIS notes that total emissions from the coal shipped through the terminal would total approximately 90 million tons per year.¹ This is roughly equivalent to the total GHG emissions from all sources in Washington State – which has been estimated to be approximately 92 million tons per year.² This total emissions estimate for Millennium is conservative, because it only calculates greenhouse gases produced from burning the coal shipped through the terminal and does not include emissions from mining, handling and transporting the product to Asia. Taking all those emissions into account, and also reflecting ongoing efforts to reduce greenhouse gas emissions from other sources in Washington, **it appears likely that Millennium would result in more global warming pollution than all other sources in the state.** This is clearly an unavoidable adverse impact which cannot be mitigated, and by itself dictates selection of the no action alternative.

The International Energy Agency has identified “lock in of fossil fuel infrastructure” as the make-or-break factor in our ability to address climate change and stay within the globally adopted targets.³ Coal export terminals - like power plants, pipelines

¹ DEIS, Chapter 8. http://www.millenniumbulkeiswa.gov/assets/mblt_sepa_deis_ch05-8_greenhousegas-climatechange.pdf

² Washington Dept of Ecology, Greenhouse Gas Inventory, <http://www.ecy.wa.gov/climatechange/docs/2012GHGtable.pdf>

³ International Energy Agency, *World Energy Outlook 2011*, https://www.iea.org/publications/freepublications/publication/WEO2011_WEB.pdf

and other large infrastructure projects – require huge capital expenditures and have a useful life of 30 years or more. They typically are financed using “take-or-pay” contracts which commit coal miners to ship coal or pay large penalties. Any time society commits to building these kinds of projects we are effectively “locking in” decades of climate pollution.

In recent years, climate scientists and policy experts have increasingly identified the need to focus on fossil fuel infrastructure and supply side issues.⁴ As articulated by Bill McKibben in his enormously influential 2012 article in *Rolling Stone* – “Global Warming’s Terrifying New Math” – avoiding the most catastrophic impacts of climate change will require leaving most known reserves of fossil fuels in the ground.⁵ This insight was quantified in an important paper in the journal *Nature* in 2015, where a group of the world’s leading climate scientists demonstrated that over 90% of US coal reserves (as well as much of the world’s oil, natural gas and other fossil fuels) needed to remain unburned if we hoped to meet the 2 degree C target for global warming.⁶ As it relates to Millennium, it is clear that we need to disclose the total emissions that will be produced from the coal that is shipped through the terminal. And it is equally clear that the adverse

⁴ Lazarus, Erickson and Tempest, Stockholm Environment Institute, *Supply Side Climate Policy: The Road Less Taken*, October 2015. <https://www.sei-international.org/mediamanager/documents/Publications/Climate/SEI-WP-2015-13-Supply-side-climate-policy.pdf>

⁵ Bill McKibben, *Rolling Stone*, *Global Warming’s Terrifying New Math*, July, 2012.

<http://www.rollingstone.com/politics/news/global-warmings-terrifying-new-math-20120719?page=4>

⁶ McGlade and Elkins, *Nature*, *The Geographic Distribution of Fossil Fuels Unused When Limiting Warming to 2 Deg. C*, Feb 2014. <http://www.nature.com/nature/journal/v517/n7533/abs/nature14016.html>

impacts from this project would be significant and unavoidable. I urge the state to fully quantify these impacts and to choose the no action alternative.

Coal Industry in Collapse

Six years ago, when this project was first proposed, many experts were forecasting huge growth in Asian coal use and continued rising prices. Since then, the Asian coal bubble has burst, most of the coal industry (including Arch Coal, who owned 38% of Millennium until May 2016) are in chapter 11 or insolvent, and banks and other private investors have fled. Some recent substantiation of these trends is contained in the attached fact sheet: *Coal Demand Has Plummeted: Demand Abroad Has Taken a Permanent Drop.*

In February, Wood MacKenzie, the consultancy that had previously issued rosy forecasts that were used to support investments in this proposed project and other coal industry expansions, concluded that: "Building new Pacific Northwest Coal Terminals, once seen as essential, is now viewed as nothing more than a risky long-term bet."⁷ Just last week, coal company CEO Robert Murray stated: "The folks that were wanting to build ports to export PRB coal on the West Coast — that was smoking opium."⁸

⁷ Andy Roberts, Wood MacKenzie, February, 2016, *Planned US Coal Ports: A Swift Trip from Vital to Irrelevant*, <http://www.woodmac.com/blog/planned-us-coal-ports-a-swift-trip-from-vital-to-irrelevant/>.

⁸ Christopher Coats, SNL Energy, June 10, 2016, *Murray Energy CEO Sees End of Westbound Uinta Coal by 2030*, <https://www.snl.com/InteractiveX/Article.aspx?cdid=A-36796676-10277> (subs. Required).

Arch Coal's recent decision to abandon its 38% stake in Millennium highlights the severe financial challenges that the project faces. While Arch and Lighthouse (now the sole owner) attempted to spin this as a "sale," financial documents disclosed in Arch's bankruptcy proceeding make it clear that this transaction reflected a "bankrupt company bailing on a zombie project."⁹ Arch received nothing of value from a more than \$60 million investment in Millennium other than "a worthless option, a handshake, and a promise that they wouldn't be sued for their trouble."¹⁰ Another large coal company, Cloud Peak Energy, recently disclosed that it was writing off to \$0 the value of a similar option to export coal through the Millennium terminal.¹¹

With Arch's departure, Millennium's sole backer is Lighthouse Resources (formerly Ambre Energy). Lighthouse is, in turn, wholly owned by a private equity firm, Resource Capital Funds, which is organized in the Cayman Islands.¹² RCF is a "vulture capitalist," actively seeking out high-risk projects which it can flip for a quick return. It has no experience or expertise managing or financing major infrastructure projects. RCF became the sole owner of Ambre Energy (Lighthouse's predecessor) when Ambre's Australian owners had to walk

⁹ Dylan Brown, Greenwire, *Arch Exits Export Terminal Ownership as Critics Get More Vocal*, May 2016. <http://www.eenews.net/greenwire/2016/05/27/stories/1060038044> (subs. Required).

¹⁰ Clark Williams-Derry, Sightline Institute, *Arch Coal Backs out of Longview Export Terminal*, May 2016. <http://www.sightline.org/2016/05/27/arch-coal-backs-out-of-longview-export-terminal/>

¹¹ Id; Cloud Peak Energy, *Form 10 K*, February 2016. <http://api40.10kwizard.com/cgi/convert/pdf/CLD-20160218-10K-20151231.pdf?ipage=10754057&xml=1&quest=1&rid=23§ion=1&sequence=-1&pdf=1&dn=1>

¹² Clark Williams-Derry, Sightline Institute, *The Money Behind NW Coal Exports*, November 2014. <http://www.sightline.org/2014/11/13/the-money-behind-northwest-coal-exports/>

away from a company that they had previously valued at \$200-400 million for just enough money to pay their other largest creditors.¹³

With Wall Street and private investors fleeing the coal sector, Millennium's only real prospect for financing the project appears to be tapping into public money, most notably the billion dollar infrastructure fund that Wyoming has earmarked for coal projects.¹⁴ As coal production collapses in Wyoming, that State's Governor has announced that he intends to "double down" on supporting the industry, including promoting exports.¹⁵

These financial challenges are relevant to the environmental review for this project because insolvent companies make bad neighbors. The DEIS identifies 10s of millions of dollars in mitigation that will be needed to address pollution and community concerns. The EIS and project permitting should require a detailed analysis demonstrating where that money will come from, and provide bonding and other assurances to ensure that these mitigation obligations are fulfilled and the public is not left holding the bag.

The recent bankruptcies in the coal industry of Arch, Peabody Energy, Alpha Natural Resources and other giants illustrate the

¹³ Clark Williams-Derry, Sightline Institute, *What Ambre Says About Its Financial Collapse*, December, 2014. <http://www.sightline.org/2014/12/03/what-ambre-says-about-its-financial-collapse/>

¹⁴ Clark Williams-Derry, Sightline Institute, *Wyoming Legislature Embraces Socialism for Coal*, March 2015. <http://www.sightline.org/2015/03/05/wyoming-legislature-embraces-socialism-for-coal/>

¹⁵ Christopher Coats, SNL (reprinted in Institute for Energy Economics and Financial Analysis), April, 2016, *Wyoming Governor Says State Will "Double Down" on Coal*, <http://ieefa.org/wyoming-governor-says-state-will-double-coal/>

danger of relying on company promises to address mitigation and cleanup responsibilities. These bankruptcies are putting at risk billions of dollars in cleanup and reclamation obligations that overly trusting state regulators allowed the companies to “self-bond,” a practice that the Seattle Times Editorial Board recently labeled a scam.¹⁶ The Department of Ecology and other regulators should insist that Millennium provide a detailed accounting of its financial backing and plan, and provide bonding sufficient to cover costs of mitigation, prior to any decisions on these permits.

Finally, we should not subsidize our own destruction. As discussed above, Millennium will cause a huge increase in global warming pollution and many other significant impacts that would be unacceptable even if it were privately funded and even if it appeared to be a sound economic development strategy. The prospect of this global catastrophe being funded with public money is unthinkable. I urge the state to select the no action alternative.

¹⁶ Seattle Times, Editorial Board, *End Coal's Self-Bonding Scam*, March 2016.
<http://www.seattletimes.com/opinion/editorials/end-coals-self-bonding-scam/>