



Mountaintop removal coal mining at a Roaring Fork Headwaters site in Wise County, VA. PC Matt Wasson, [AppVoices](#)

Coal Mine Reclamation Bonding In Virginia

Virginia currently offers mine operators both full bonding and pool bonding options to fund the reclamation of abandoned coal mines in the state.

Though full cost bonding is an option, Virginia relies primarily on a bond pool, known as the Coal Surface Mining Reclamation Fund or the Pool Bond fund. Virginia also allowed companies to self-bond until recently. In October 2015, Virginia submitted proposed changes to its bonding regulatory program to OSMRE. Those changes included the elimination of self-bonding and an increase in the cap for the Pool Bond fund from \$2 million to \$20 million.

Though Virginia has recently made positive changes in the bonding system, many problems still remain.

In 2011, Virginia commissioned an actuarial assessment of the state's Pool Bond fund. The study concluded that the fund was insufficient to handle widespread bankruptcies within the coal industry. In a test scenario, the study found that if Alpha Natural Resources liquidated its operations, reclamation liabilities would increase by an estimated \$85 million dollars, and the Pool Bond fund would run a negative balance of \$50 million dollars in just eight years at current tax rates. At least forty-nine mine operators, including Alpha, have filed for bankruptcy since the beginning of 2012, and more are expected. Though Virginia has attempted to eliminate self-bonds, some companies, including several owned by West Virginia Governor Jim Justice, have yet to switch over from self-bonds to something more substantial. This is a particular problem because the state's proposed changes have eliminated all regulations governing the operation of self-bonds, leaving a regulatory vacuum for these mines. As of April 2017, there were still at least 19 existing self-bonded permits in the state. Collectively, the bonded amounts of these permits totaled more than \$24 million across over 15,000 permitted acres.

Virginia should eliminate self-bonding, eliminate any cap on the Pool Bond fund, and move as many mines as possible toward full cost bonding.

OSMRE should require that Virginia expressly authorize the state's regulatory agency, the Department of Mines, Minerals and Energy, to promulgate regulations that set the amount or rate of specific bond pool fees. The current changes to bonding regulations raise the cap on the tax-portion of the bond pool from \$2 million to \$20 million, but stop short of eliminating the cap entirely. Eliminating the bond pool cap would allow for timely adjustments that may be necessary to achieve or maintain solvency of the Pool Bond fund. Ideally, the state should institute full cost bonding practices based on site-specific factors and actual reclamation costs instead of setting arbitrary bond amounts.