

# MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

November 19, 2015

Governor Steve Bullock  
PO Box 200801  
Helena, MT 59620-0801

Dear Governor Bullock:

Following the recent meeting of the Natural Resources KIN, we Co-chairs are compelled to provide you with feedback that KIN members offered. The letter before you is not the KIN's final recommendations; we have met twice and will need to meet again to finalize our recommendations. However, the KIN feels strongly that the natural resources industries in Montana have, in the relatively short time since the KIN's first meeting in March, run into significant and potentially existential challenges. Some in the group characterized our natural resource industries as being under siege. The KIN members agreed that this is the result of a general downturn in international commodity markets, strengthening of the U.S. dollar, and increased federal regulatory pressures. Given these circumstances, we feel you need to be informed right away, in advance of our final recommendations, of what is currently a dire situation for Montana's natural resources industries.

All of the KIN members at the recent meeting characterized the impact on their businesses of the current economic situation as very serious; in fact, some KIN members expressed that increased regulatory pressures in effect constitute an attack on their industries at the same time that market conditions are increasingly unviable for many companies at the table. By way of example, coal producers are now losing money on international sales. Cloud Peak Energy expects that as a result of its decision to exit the export market for at least the next three years, its production tax and royalty revenues to the State will be reduced by \$15-\$20 million annually. Environmental litigation, permit processes, and currency exchange rate pressures threaten our mines and plants and create barriers to accessing federal timber. We also see the EPA Clean Power Plan as a major issue, not only as a direct threat to coal mining and coal power plants, but also as an indirect threat to other businesses and industries through higher electricity costs. The KIN certainly recognizes that issues such as commodity prices and the exchange rate are market factors that are largely beyond the control of state government. With your leadership, however, we believe there are some issues that can and should be addressed by the State that can help our industries.

We are very concerned about the impacts associated with implementing the EPA Clean Power Plan. The EPA mandate threatens Colstrip Generating Station's very existence along with the good paying jobs, tax base, and source of affordable electricity to Montana consumers. A number of natural resource industries are also large consumers of electricity. Any increase in electrical rates will only further weaken our ability to survive in Montana. The EPA Clean Power Plan mandate has the potential to be one of the biggest negative events in Montana's history and every effort must be made to save Colstrip, the good paying jobs associated with Colstrip, and the affordable electricity necessary for our continued success. We applaud your recent creation of the Interim Montana Clean Power Plan Advisory Council and your call for applications for membership. Many of our members look forward to including our voices to this high stakes conversation.

We also recognize that federal regulations constitute some of our KIN members' greatest regulatory challenges. We urge you to exercise your statutory and moral authority as Montana's CEO to fight for common sense federal policies that can help our struggling industries. One of the ways you can do that is working to encourage renegotiation of the recently expired Softwood Lumber Agreement with Canada, without which our already shrinking timber industry will be further impacted by cheap wood imports flooding the market.

It was brought up at our recent KIN meeting that a typical smart phone consists of numerous minerals that are derived from mining – yet many users of these great technologies oppose the development of new mines because they mistakenly regard mining as part of an old, polluting, by-gone industry that lacks relevance. The largest industrial use of minerals produced by the Stillwater Mining Company is in catalytic converters that are crucial to keeping our urban areas from being choked in smog.

We want to emphasize to everyone, and to you, that natural resource industries are the economic foundation of this great State. We understand that you are deeply concerned about climate change and are committed to environmental stewardship. We want to stress that the business community, particularly the natural resources sector, understands those concerns and is equally committed to stewardship of our environment. Too many in the environmental community have gone to extremes however, pursuing an agenda that is bad for jobs, bad for working Americans, and seems to promote “de-industrialization.” The Main Street Montana Project plan expressly includes a goal to “responsibly develop Montana's natural resources for long term economic growth.” In sharing this goal, our industries provide many high-paying, family wage jobs. Yet, our industries' importance to the overall economy is frequently overlooked by policy makers, economists, environmentalists, and the general public that instead seem to focus on the “new economy” and its hi-tech and web based industries; forgetting that is the natural resource industries which provide the raw materials required for these jobs and businesses. We want to stress to you that there will be serious adverse economic consequences to our State if some of our important natural resource industries are driven out of existence by these challenges, pressures, and attacks. We would also point out that if these natural resources are not produced in Montana, they will be produced somewhere else and the economic benefits will also go elsewhere.

Before closing, we would be remiss if we did not also express our sincere appreciation for the steps you have taken to address the availability of timber for our mills, and for your leadership with respect to the possible listing of the Sage Grouse. We recognize your valuable leadership in both of these important matters, and we request that you provide the same critical leadership in designing a “right for Montana” approach to the Clean Power Plan regulations.

We plan to meet in January to arrive at recommendations for your consideration to enhance the economic viability of our industries, as well as the economic strength of the State. In the meantime, as stated at the outset, our KIN asked us to forward this letter to you to convey the urgency and importance of having State support for the lumber, coal, hard rock, and other natural resource businesses that contribute so fundamentally to the Montana economy. We stand ready to provide the data, explain the issues, and work with you to help us tell our story. We thank you for your effort to engage all of Montana’s businesses through the Main Street Montana Project and we look forward to submitting our final recommendations to you in early 2016.

Sincerely,



Todd Myers  
Cloud Peak Energy



Loren Rose  
Pyramid Lumber