Subsidy Spotlight: Publicly Funding a Utah Disaster in the Making

December 17, 2014 | *Article by **Anna Simonton**, on assignment with Oil Change International* |
Part 1 of 2

green stegosaurus graces the logo of Uintah County, Utah, a gateway to the famed Dinosaur National Monument, where breathtaking landscapes and fossils preserved in sandstone attract thousands of visitors every year.

That logo has taken on new meaning over the past decade as prehistoric remains have attracted a different crowd. Now oil and gas executives are flocking to the Uinta Basin in Eastern Utah, as new technologies—and support from the government—offer the dubious possibility of digging up the region's vast deposits of oil shale and tar sands.

Canadian production of tar sands on a massive scale has familiarized the American public with the

A petroleum substance that's comprised of sand, clay, water, and bitumen which, after several rounds of energy-intensive refining, can be turned into fuel that burns dirtier than conventional crude oil, releasing more carbon, heavy metals, and sulphur in the process.

U.S. Oil Sands has stripped parts of the land it leases from the state in preparation for digging open-pit tar sands mines. (Courtesy of Before It Starts).

But tar sands production has never happened on a commercial scale within the United States, and less attention is paid to domestic reserves—even though several tar sands mining projects have been in the works for a number of years.

In Utah, there's an estimated 15 billion barrels of oil within the state's tar sands deposits (that's a little more than twice the total amount of petroleum consumed in the U.S. in 2013). These tar sands are lower quality than Canada's, and would require even more processing—using large quantities of fuel just to make more fuel. One report puts it this way, "Every time you fill your car with gas from made-in-Utah tar sands… pour an extra 4 or 5 gallons on the ground."

Oil shale is even less promising. Not to be confused with shale oil (which is oil released by fracking), oil shale is fossil matter that hasn't been in the ground long enough to turn into oil. It's basically sedimentary rock with deposits of solid chemical compounds called kerogen inside.

If exposed to extremely high temperatures, it's possible to convert the kerogen into a liquid hydrocarbon and squeeze it out of the rock. That requires strip-mining the oil shale from the ground and using lots of fuel just to create enough heat to extract the hydrocarbons, which then requires even more energy to refine before it's a usable petroleum product.

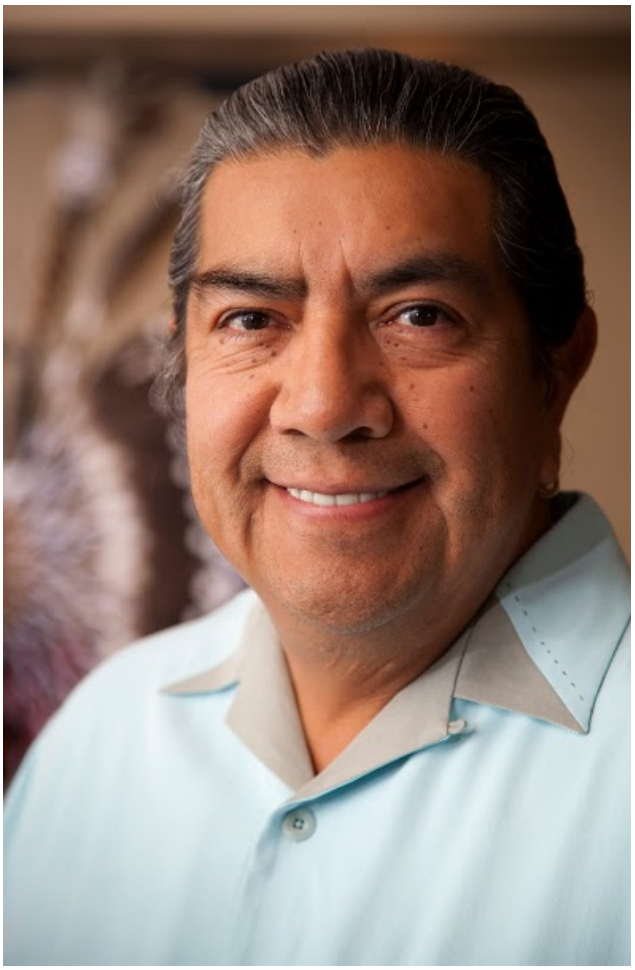
In nearly a century of speculation, oil shale has never been proven commercially viable. But with a national fervor for domestic fuel production in the U.S., and an estimated 1.8 trillion barrels of oil within oil shale deposits in Utah, Colorado and Wyoming (enough to tip the scale toward assured climate disaster), oil shale is getting another push.

The push is coming from companies that want to strip mine some of the West's most iconic landscapes for tar sands and oil shale. It's coming from officials at every level of government with financial ties to the fossil fuel industry. But the people bottom-lining the advancement of oil shale and tar sands production, like it or not, are taxpayers.

Through public land leases, infrastructure subsidies, and some very expensive tax breaks, taxpayer money is supporting what could become one of the dirtiest, most destructive chapters in American energy history.

Oil shale on stolen land

Forrest Cuch talks about the year 1905 so vividly it's as if he lived it. That's the year Utah's Uintah-Ouray Indian Reservation was divvied up to white settlers under the Homestead Act, reducing the tribal territory where Cuch—a member of the Ute tribe—lives from 4.3 million acres to just half a million.



Forrest Cuch, formerly Utah's Director of Indian Affairs, lives on the Uintah-Ouray Reservation in Northeastern Utah, where tar sands and oil shale companies are

"That was a very traumatic time in our history. Some of our people went to war over that," Cuch, formerly the Director of Utah's Division of Indian Affairs, said in a phone interview. "They ventured up north to join an alliance with the Lakota people. When they got up there they found that the powerful Lakota people were also defeated."

Once the fighting was quelled, it wasn't long before the federal government claimed a chunk of the reservation for the Naval Oil Shale Reserves, which was intended to serve as a backup fuel source for the military. The Defense Department didn't attempt to use oil shale from the reserves until the 1970s, and then their experiments weren't successful.

In the 1980s Congress allocated up to $88 billion to the Department of Energy for a program to develop

ENCROACHING UPON INDIGENOUS LAND. (COURTESY OF FORREST CUCH).

unconventional fuels, including tar sands and oil shale. The DOE shelled out $7 billion in the form of loan and price guarantees to oil shale projects in the Uinta Basin and parts of Colorado. All of the projects folded within a few years, and the DOE program was dissolved.

Meanwhile, the Naval Oil Shale Reserves remained undeveloped, and in 2000, the federal government returned 84,000 acres to the Ute Tribe.

By that time, the Uinta Basin had become a locus of conventional oil and gas production, and the reservation had become what Cuch describes as "a checkerboard." Rather than one contiguous swath of land, tribal acreage was interspersed with state, federal and private land, all marred with oil and gas wells.

"It's made relationships very difficult here," Cuch says. "The local [non-Native] folks and the tribal elders fight over jurisdiction. The racism is very prevalent and has created lots of problems."

Now a Salt Lake City-based company called Red Leaf Resources is among those clamoring for land and mineral rights in the Uinta Basin, and they're looking to repeat history. The company claims it has developed a commercially viable oil shale mine on 1,600 acres of land leased from the state.

A few miles away, straddling reservation boundaries, sits a 6,000 acre site where a Canadian company called U.S. Oil Sands has clear cut part of the land for their open pit tar sands mines.

These companies, along with a handful of others, have leased tens of thousands more acres in the Uinta Basin for further exploration and development of oil shale and tar sands.

Ozone as bad as Los Angeles

Red Leaf and U.S. Oil Sands entered the picture at a time when the land and communities of the Uinta Basin were already under industrial duress, thanks to an energy boom ushered in by fracking.

In recent years, methane from nearly 16,000 oil and gas wells, combined with emissions from heavier truck traffic have contributed to ozone levels that are now worse than in Los Angeles, and often are twice as high as federal standards allow.

In the Uinta Basin, you're far more likely to see a herd of elk crossing a country lane than bumper-to-

As a result of clear cutting, dust storms have become common in the Uintah Basin region of Utah, where the rate of hospitalizations for asthma are double the state average. (Courtesy of Before It Starts).

bumper traffic filling an intersection. But in less than a decade, the air quality in this rural wilderness has deteriorated to become worse than one of the largest cities in the U.S.

In the dead of winter, when temperatures range from zero to twenty below, Cuch's seven-year-old grandson keeps an inhaler close at hand. His asthma is severely triggered by pollution trapped at ground level by a frequently occurring phenomenon called inversion, wherein warmer air traps cold air and pollution beneath it, preventing them from circulating normally.

A 2012 report showed that rates of hospitalizations for asthma the Uinta Basin were double the state average. And now some are questioning whether the pollution is at the root of a spike in infant deaths and stillbirths in the region.

"As far distant as the ocean itself."

Water is another casualty of the region's oil and gas boom.

Lauren Wood grew up in a family of river guides when melon farming was more common than fracking on the banks of the Green River, which cuts through the Uinta Basin. Now she's a third generation river guide, but her livelihood is changing as the fossil fuel industry scales up in the region she calls home.

"We've had some really low water years," Wood says. "There've been seasons when it's been windy all day long and I'm literally dragging my boat across gravel because there's not enough water in the stream to even float on. And its not because there's not water, its because we are using so much of it for these extraction projects."

According to Western Resource Advocates, in 2010 the state had permitted more water for pending projects than is actually available, creating a deficit that could amount to as much as 140,000 acre-feet. In the second driest state in the nation, this alone could spell disaster.

That's no obstacle to Red Leaf founder Todd Dana, who testified about the importance of federal support for oil shale development in a 2011 hearing before the House Committee on Natural Resources.

In a form he filled out prior to testifying, Dana described himself as a, "self taught, highly successful oil shale expert." He then delivered a bizarre rant that devolved from blaming environmentalists for wars in the Middle East to asserting that, "Anyone worried about the water availability can simply buy the water."

He went on, "Water can and will be piped to the region from long distance if necessary widely available from Utah Lake, The Great Salt Lake and even as far distant as the ocean itself [sic]. Water is not a problem for oil shale. Every comment to the contrary is just environmental activism without the economic understanding of importing the water."

Lauren Wood is a river guide in the Uintah Basin, where an oil and gas boom is straining the region's water sources. In 2010, a state agency had granted so many water permits for extraction projects that the amount of "paper water" exceeded the actual water available by 140,000 acre-feet.

Fossil fuel executives, policy analysts, and just plain folks – all in one.

Unfortunately, fossil fuel executives like Dana can make such outlandish statements and still wield considerable influence. Since Dana founded Red Leaf in 2006, the company has gone full force through revolving doors, across a lot of astroturf, and into a morass of campaign finances – pushing oil shale and tar sands development every step of the way.

In 2007, Red Leaf entered a revolving door with Utah's state government by hiring the governor's energy advisor, Laura Nelson, as a vice president.

Nelson also had connections in the federal government: she served as a member of Department of Energy's Unconventional Fuels Task Force, which was established by the Energy Policy Act of 2005 to accelerate tar sands and oil shale development.

In 2008, Nelson teamed up with a U.S. Oil Sands executive to co-author a white paper for the Utah Mining Association (UMA), a lobbying group whose membership includes both Red Leaf and U.S. Oil Sands.

The paper outlined policy recommendations for all levels of government that included permitting mining on public lands, offering tax incentives, and subsidizing infrastructure to facilitate oil shale and tar sands mining.

The UMA white paper also stressed the need for crafting a PR plan to distinguish Utah tar sands mining from the "negative image" associated with Canadian tar sands, advising that, "For Utah's oil shale/tar sands industry to gain a foothold and grow to the point where it's self-sustaining, first impressions made to regulators, legislators and the general public must be positive."

Perhaps to that end, Laura Nelson sits on the board of a nonprofit called Environmentally Conscious Consumers for Oil Shale (ECCOS) that registered with the IRS the same year the UMA white paper came out.

A Greenpeace investigation recently revealed the nonprofit to be the project of a PR consulting firm called EIS Solutions, which has ties to the Koch brothers and specializes in astroturfing efforts (big money disguised as grassroots support for a policy or politician) in favor of fracking and other extreme energy projects.

In addition to sharing an address with EIS, as Greenpeace reports, ECCOS's latest tax forms show that the entirety of the group's spending in 2012—$105,368—went to EIS. Their reported activity included attending hearings and speaking engagements, at the local, state and national levels, relating to "the responsible development of oil shale."

The astroturfing has paid off. In the years since the memo came out and ECCO materialized, oil shale and tar sands projects in Utah have benefited from subsidies in several of the areas Nelson and her colleague at U.S. Oil Sands outlined: from millions of dollars in tax breaks, to public land giveaways, and an expensive new road for transporting oil shale and tar sands crude out of the

Uinta Basin.

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You can read Part 2 of the Subsidy Spotlight here.

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TAKE ACTION: You can help put an end to fossil fuel subsidies and extreme energy extraction by clicking here.

*This story was written by **Anna Simonton**, on assignment with Oil Change International. It's the fifth in a series of "Subsidy Spotlights", highlighting the real-word impacts of fossil fuel subsidies. You can read our first subsidy spotlight here, our second here, our third here, and our fourth here.*

DIRTY ENERGY MONEY OIL SHALE TAR SANDS US OIL SANDS UTAH

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Subsidy Spotlight: Utah Land Defenders Stand Up To Dirty Politics

December 18, 2014 | *Article by **Anna Simonton**, on assignment with Oil Change International* |
Part 2 of 2

Lauren Wood grew up in a family of river guides in the Uinta Basin region of Utah. She navigates tributaries of the Colorado River like her urban counterparts navigate subway systems. She learned to ride a horse, and then drive a car, on the Tavaputs Plateau. And she can name most any gorge or gully in the place she calls home.

But this landscape so familiar to her has transformed over the past decade to one in which drill rigs are more common than cattle herds, and methane emissions have degraded the air quality in this wilderness region to rival that of Los Angeles.

New technologies like fracking—along with government subsidies—have ushered in an energy

boom reliant on extreme extraction methods to produce oil and natural gas. Now the Uinta Basin is ground zero for what threatens to become the next phase in extreme energy extraction: strip mining for tar sands and oil shale.

After clear-cutting trees and sagebrush, U.S. Oil Sands digs open-pit mines to test their tar sands extraction process. If the company starts producing tar sands on a commercial scale, 32,000 acres in Utah's Uintah Basin could be covered with these pits, along with tailings ponds that would store huge amounts of waste water and chemicals used in the extraction process. (Courtesy of Utah Tar Sands Resistance).

Tar sands are a sticky mixture of sand, clay, water and bitumen that can be processed into fuel, but require more refining than conventional crude oil, releasing more greenhouse gases and toxins in the process. Despite the fact that Canadian tar sands mining is pushing the Earth toward disastrous climate change, some companies are moving forward with tar sands mining projects in the United States.

Oil shale, not to be confused with *shale oil* (which is oil released by fracking), is a solid mixture of chemical compounds—called kerogen—inside sedimentary rock. When heated at high enough temperatures, it's possible to break the kerogen down into liquid hydrocarbons and release them from the rock. This requires a whole lot of fuel just to make more fuel, and also promises to drastically worsen the effects of climate change.

Part one of this article delved into the history of how, in the past, taxpayers have footed costly bills for government-sponsored tar sands and oil shale development that never turned out to be commercially viable. The last of these projects fizzled out in the 1980s. Now, thanks in large part to a provision in the Energy Policy Act of 2005—written by Utah Republican Senator Orrin Hatch—oil shale and tar sands are back on the table.

Red Leaf Resources and U.S. Oil Sands are two companies that have led the renewed crusade to develop oil shale and tar sands in the United States. Red Leaf leases Utah state land for its oil shale mine site near the Tavaputs Plateau in Uintah County. A few miles away, straddling the boundaries of

the Uintah-Ouray Reservation, sits the tar sands mine site of Canadian-based U.S. Oil Sands.

In 2008, one of Red Leaf's Vice Presidents, Laura Nelson, teamed up with a U.S. Oil Sands Executive to co-write a white paper for the Utah Mining Association (UMA), a lobbying group. In it, they spelled out the ways that state and federal governments should subsidize tar sands and oil shale development. Since then, several of their recommendations—including millions of dollars in tax breaks, leasing public land at rock-bottom prices, and government-funded infrastructure projects—have become reality.

A twenty-year tax holiday for tar sands and oil shale

The same year the Utah Mining Association (UMA) white paper came out, a new PAC called The Quality Jobs Coalition registered in Utah.

Of the six listed PAC members, three are former UMA presidents. In 2008, The Quality Jobs Coalition spent over $50,000 in donations to 28 candidates for the Utah legislature, the majority of whom won.

In the following legislative session, one of those candidates introduced a bill that began as a measure to create tax credits for renewable energy projects, (even though it included and emphasized nuclear energy), but was renamed and expanded to incentivize *alternative* energy projects, including oil shale and tar sands.

The original bill's tax credits were projected to be valued at $2.6 million in annual revenue for the first two years. With tar sands and oil shale included, that estimate ballooned to $5 million annually for the first few years, and an incredible $360 million annually down the road.

That's equal to six percent of the 2015 budget for Utah's General Fund and Education Fund—the two pools of money from which funds are diverted in order to cover the cost of the huge refunds these tax breaks offer.

Companies that take advantage of the Alternative Energy Development Incentive get to write off 75 percent of their state taxes annually for up to twenty years.

And manufacturers of oil shale and tar sands equipment get a completely free ride with the Alternative Energy Manufacturing Incentive, which offers a full 100 percent state tax refund for up to

twenty years.

Royalties buy taxpayers a Road to Nowhere (except a tar sands mine)

Taxes or no taxes, there is still revenue to be made from royalties. More than seventy percent of Utah is public land, and when extractive industries mine or drill on it, they have to pay a certain percentage of their profits to the state and federal governments.

In Utah, that money goes into a Mineral Lease Fund, which gets distributed to various agencies for projects that offset the local impacts of fossil fuel extraction. For example: health services for kids whose asthma is triggered by the ridiculously high ozone levels in the Uinta Basin.

But fossil fuel companies often try to twist the scenario to benefit themselves.

In 2007, Red Leaf founder Todd Dana attended a meeting of Uintah County Commissioners and Vernal City Council, where he said, “delivery is an important concern and it is critical to get the oil south to the railroad for transportation.”

Commissioner Mike McKee responded, “One of the greatest needs is the repair of Seep Ridge Road.”

At that time, Seep Ridge Road was mostly gravel. Starting southwest of Vernal, it wound about seventy miles south, through Ute tribal lands, across the Tavaputs Plateau to the Book Cliffs, an escarpment so steep it’s almost non-traversable by car.

Only hunters, backpackers, ranchers, and locals were generally using the road

In 2010, Red Leaf Resource’s oil shale research and development site was nestled amongst vegetation in Utah’s Uintah Basin region. Now the surrounding acreage looks like a desert, as the company has clear cut a huge swath of the 1,600 acres it leases from the state in order to mine sedimentary rock with deposits of bitumen inside. (Courtesy of EcoFlight).

until Red Leaf and U.S. Oil Sands came
on the scene and Seep Ridge Road became the main access point for their mine sites.

So when the county moved forward with a multi-million dollar revamp of the road, to be paid for with money from the Mineral Lease Fund, critics dubbed it The Road To Nowhere, and pointed out the obvious: public coffers were being drained for the sole benefit of the oil shale and tar sands companies.

This November, the last phase of construction was completed and a ribbon cutting held on what's now a forty-foot-wide highway through the wilderness, made for semi-trucks and megaloads, paid for with $86.5 million in public funds.

Oil shale on stolen—and public—land

Red Leaf was also implicated in a 2012 scandal that brought corporate governance in the Uintah Basin to a new level.

Four years earlier, in 2008, the Bureau of Land Management had announced a plan to open up two million acres of public lands (including land that was part of the Uinta-Ouray Reservation until the Homestead Act divvied it up between white settlers and the government) for oil shale development in Utah, Wyoming, and Colorado. The plan also allotted 431,000 acres for tar sands development in Utah.

The original plan amounted to a huge subsidy to these industries because royalties were set at only five percent—less than half the standard rate for conventional oil and gas.

But public pressure led the BLM to re-assess the plan, and in 2012 they announced a new one that significantly curtailed the amount of land up for grabs.

That's when Uintah County leaders held an illegal meeting at the Golden Age Senior Center in Vernal, Utah.

Among the the thirty-two people in attendance were county officials from Utah, Colorado, and Wyoming; a lobbyist from Red Leaf and another oil shale company; the director of a national oil shale lobby group; a board member of a nonprofit with ties to Red Leaf; an official from the Uintah-Ouray Reservation; and the George W. Bush-era BLM Director who oversaw the original land lease proposal and was an adviser to Utah Governor Gary Herbert at the time of the meeting.

THE REMAINS OF A BIRD ARE MIRED IN AN OILY POOL AT THE SITE OF A TAR SANDS TEST MINE. (COURTESY OF UTAH TAR SANDS RESISTANCE).

Behind closed doors—in violation of the state's sunshine laws—they crafted a plan for elected officials from each county to pass resolutions opposing the BLM plan. In follow-up emails they shared draft resolutions that could serve as models for the industry to push in the relevant counties. In little more than a month, the resolutions were passed and officials from six counties held a joint press conference lauding their actions.

When an open records request brought the meeting to light, public outcry caused some County Commissioners to rescind the resolutions. But their actions had the intended effect; the BLM conducted yet another assessment and expanded their plan to offer a total of 830,000 acres of public land for oil shale and tar sands development. This time, the agency didn't set a royalty rate at all.

Tar sands and oil shale election money

A key player in all of this is Uintah County Commissioner Mike McKee. In 2006, the year before the Seep Ridge Road project took off, he reported zero contributions to his election campaign. In 2014—eight years into the region's oil and gas boom—he reported $20,096, possibly a record for Uintah County, where local campaigns rarely garner more than $10,000.

$5,000 of McKee's campaign money came from Uintah Resources, which Todd Dana founded in 2009 after selling his share of Red Leaf. Another $5,000 came from an oilfield equipment company, and several thousands more from various companies and individuals in the fossil fuel industry.

Laura Nelson, the Red Leaf VP who co-wrote the Utah Mining Association white paper, has circled through a revolving door from the Utah state house to Red Leaf, and back to the state house—this time as Director of Utah's Office of Energy Development.

It's worth mentioning that Nelson contributed $5,000 to Governor Herbert's campaign in 2012 (when she was still an employee of Red Leaf), and that other Red Leaf executives, their main lobbyist, and the company itself, have donated a combined $26,000 to Herbert's campaigns and his PAC.

So it's no surprise that earlier this year, at the third annual Governor's Energy Development Summit, Herbert announced that oil shale and tar sands were second on his list of five energy priorities for 2015.

That was on June third. On July 21—the same day Nelson was appointed Director of Energy Development—twenty-one people were arrested at the U.S. Oil Sands mine site.

The land defenders

Land defenders block the road leading to a tar sands mine site. The protest prevented the company U.S. Oil Sands from clearing vegetation on land where it plans to dig open pit mines and tailings ponds for toxic waste.

They started arriving in May—dozens of people from all over Utah and all over the country—to camp together on the Tavaputs Plateau. From the encampment, they could hike two miles to the U.S. Oil Sands site to monitor developments and plan actions.

In the early morning hours of July 21, fifteen people entered a fenced-off cage where U.S. Oil Sands kept equipment used for clear-cutting. They chained themselves to machinery and the fence, as sixty more people surrounded the area with banners and blockaded the road.

By the middle of the afternoon, twenty-one people were in jail and two were hospitalized with injuries, at least one of which was confirmed to have been inflicted by police. But no land on the Tavaputs Plateau was leveled that day.

"It's a pretty emotional thing to be up there and see people actually stopping it from happening," says Lauren Wood, the river guide and a co-founder of Peaceful Uprising. Peaceful Uprising is one of the groups that organized the action camp, along with Tar Sands Resistance and Canyon Country Rising Tide.

Parts of U.S. Oil Sands mine site extend onto Ute tribal lands. The Environmental Protection Agency w
didn't have permission to operate on Ute land. On July 21, 2014, fifteen people chained themselves to a
sands mine site operated by U.S. Oil Sands.

Aside from the immediate impact and thrill of a day-long work stoppage, the groups are confident that the cumulative effect of their persistence will be to stop the mines.

Red Leaf, U.S. Oil Sands and the other companies pioneering tar sands and oil shale development are small and financially precarious, even with the millions of taxpayer dollars wasted on their projects.

The land defenders say that with enough pushback, investors may get nervous. Stock prices can tank. There really is a window of time for preventing a U.S. tar sands and oil shale industry.

Another land defender, Will Munger, works as a cowboy on the Tavaputs Plateau and camped out at

the protest site.

Munger takes a long view of the past and the future when he talks about the relationships between climate change, government, and corporations.

"The West has been defined by these boom and bust cycles since colonization," he says.

"What we need out here in the desert is a way of relating to the land and relating to each other where there is a stable, functional economy that preserves the ecosystems that keep us alive. Not schemes that are part of this economic model that looks at short-term profit over long-term sustainability."

There were a few more actions and arrests in the months after July. By the end of October, the last of the campers had packed up as development at the mines slowed down and winter set in.

But they'll be back come spring, and anyone is welcome to join them.

Will Munger works as a cowboy in the Uintah Basin, where tar sands and oil shale development are threatening water sources critical to ranching and agriculture. (Courtesy of Will Munger)

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