

January 26th, 2021

Joshua Wayland
Surface Transportation Board
9300 Lee Highway
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Attention: Environmental filing, Docket No. FD 36284
Subject: STB Should Deny Coalition Petition as Currently Formulated

Uinta Basin Railway EIS No Action Comment #3: The STB should select the “No Action” alternative and request that the SCIC present an updated transportation plan with an improved and sustainable value proposition.

Dear Mr. Wayland:

I am writing to you to highlight the fact that a bad business proposition will always be a bad business proposition no matter how much public money is wasted trying to fix it.

The current SCIC proposal is simplistic, one-dimensional and antiquated. It may temporarily generate profits for a small number of special interests within the oil & gas industry but it will certainly create massive external costs borne by the citizens of Northeastern Utah and Western Colorado while generating a high risk of operational and environmental disaster. The most likely outcome of bad business proposition is eventual bankruptcy and regional economic decline.

The responsible action for the STB at this time is to deny the SCIC petition as currently presented and recommend that they return to you with a more sustainable business proposal that addresses the real stakeholder and socioeconomic issues outlined below.

1) UIB Increases Economic Volatility in the Uinta Basin – The EIS completely fails to describe the actual impact of the UIB project in the Uinta Basin beginning with the well-documented reality of the “resource curse” or the “Dutch disease” which has been proven over and over

again both in the US and globally. The proposed UIB railway is a special interest project that will increase the dependence of Northeast Utah on a single extractive industry in which Utah is not a lowest cost producer, has no differentiated production technology and has no pricing power in the national or global energy market. The UIB only makes the Uinta Basin more dependent upon volatile commodity pricing leading to more painful boom/bust cycles.

2) EIS Does Not Address Serious Netback Pricing Risk for UIB Crude

– The US oil & gas industry has always been unstable but it has never before been faced with the existential threat of actually having to deal with the externalized costs that it has previously pushed on to the general public. By 2030, the following material events not described in the EIS are all likely to happen: (a) The equivalent of a \$50 per ton carbon tax to take effect in the United States; (b) an increase in federal royalty rate from the century old 12% to a modern benchmark of 18%; (c) a significant drop in demand for transport diesel fuel due to electrification of short haul transport, buses and local service vehicles (d) capture of diesel market share by biodiesel produced by modern refineries at Phillips 66 in Rodeo, CA and Holly Frontier in Cheyenne WY; (e) capture of significant jet fuel market share by biofuels due to technology advances from Boeing, (f) flat demand for automotive gasoline as fleet fuel efficiency standards increase and (g) gradual drop in demand for automotive gasoline as hybridization and electrification of passenger vehicles (especially SUVs) continues. Uinta Basin producers will have no pricing power leading to almost certain economic difficulties in a non-diversified economy.

3) EIS Overstates Socioeconomic Benefits to Uinta Basin

Community: The local public in Duchesne and Uintah counties falsely assumes there will be an unending economic boom resulting from the railroad construction. Reality is that most procurement spending on the railroad will take place outside the Uinta Basin while most construction staging will take place in Carbon County at the existing rail head. Once the initial construction is over, rail maintenance spending will not support new industries in the Uinta Basin. EIS states that third parties will construct the two critical rail terminal facilities but provides no guarantees such will occur and that profits from these operations will

stay in the Basin. Since the bulk of energy production and transportation companies are headquartered outside the Uinta Basin, the vast majority of profits from increased crude oil production will be transferred out of state with the result that the non-diversified local economy will become even more dependent upon the world price of oil and the shrinking demand for Utah crude.

4) EIS Does Highlight the Low Project Return to State of Utah: As a result of numerous subsidies for the oil and gas industry the State of Utah will receive an annual royalty of just a few tens of million dollars from the projected billions of dollars per year in annual revenue. These gifts from the taxpayer include low cost federal land leases, rock bottom federal royalty rates, minimal penalties for failing to actually produce on leases, no cost extensions of leases, minimal penalties for failing to meet the oil, gas and mining laws of Utah, special COVID pandemic financial benefits including waivers for loan repayment and the inappropriate use of community development funds for exclusive, single industry oil & gas projects like the UIB. Since Utah taxpayers will see only pennies on the dollar from this project, this is clearly not an economic necessity for us.

5) EIS Does Not Promote Economic Stability thru Diversification – While the SCIC does make the Uinta Basin economy dependent on an obsolete business model that will not survive the next twenty years, it fails to discuss the development of any non-oil & gas related industries or service business. The EIS critically fails to discuss water supply for the massive increase in oil production and how clean water supplies can be preserved despite massive new pollution. The impact on water supplies will strongly argue against “clean” new industries looking to relocate to Duchesne or Uintah counties just to breathe the dirty air and struggle for access to clean water. The EIS fails to address the massive loss of value to Utah by shipping crude oil out of state where conversion profits are captured by out of state interests. EIS indicates that vast majority of rail cars will “deadhead” into the Uinta Basin because of lack of existing or future counter-trade. In fact, the EIS states that all other rail shipments to/from the Uinta Basin will never be enough to justify a train without crude oil tank cars. Despite all this, the SCIC offers no

plans to create a stable local economy that can withstand both the amplified boom/bust cycle of the oil industry and the eventual transition of Utah to a net carbon zero economy.

6) EIS Fails to Make a Plausible Case For Private Funding for the UIB Railway: Given the large number of highly probable risks with negative implications for the UIB, it is difficult to believe that private investors will actually put their own money into a one-dimensional project no matter how much the investment bank takes out in “advisory fees”. There are far lower risk alternatives for investors wishing to gain exposure to the fossil fuel industry and there are far higher potential returns for investors looking to invest in renewable energy. It is difficult to see why investors would choose this project unless it has a financial backing by the State of Utah which is not disclosed in the EIS. The opportunity cost to Utah taxpayers of losing their top-notch credit rating due to this project would be staggering in terms of more socially valuable projects (broad band internet for rural counties, mental health support given the high rate of suicides in Utah, better childhood education for rural school districts etc.) and not addressed by the EIS.

7) Most Probable Outcome of EIS is UIB Railroad Bankruptcy – With problematic initial financing (if done, then most likely done at well above quality borrower rates) and with the majority of project profit being siphoned off by out of state interests, the impact of falling oil demand and fluctuating oil prices suggests that the UIB will never operate profitably and will likely be completely obsolescent over the next several decades. As has happened so many times in the past, a poorly planned railroad will lose the initial investors money and will eventually be sold at loss before or after bankruptcy. The STB should indicate “No Action” for a railroad with such a grim economic future.

8) EIS Does Not Guarantee that the SCIC will not ask for Utah Taxpayer Funding in the Future: If the UIB Railway is threatened with bankruptcy because of its fatally flawed business plan, there is little doubt that the SCIC will return to the government of Utah for a direct taxpayer bailout. The SCIC has not been shy about using Utah tax

payer funds for their special interest project to date and it is unlikely that they will hesitate to lobby for and likely receive another taxpayer bailout in the future.

What is particularly unfair is that this project, which is not for the public convenience or a necessity, and which imposes major safety and environmental costs on the general public, could eventually drain more resources from the 3+ million citizens of Utah who did not benefit from the project. At least the citizens of Colorado will be free from the financial insult of having to bail out a failed project on top of the injuries they will have already sustained.

I respectfully request that the STB exercise wise stewardship in denying this project permit as currently formulated since there is a far superior alternative economic development strategy that the SCIC has failed to present which would offer far more benefits to Northeast Utah and Western Colorado when implemented than the UIB Railway.

Asking the SCIC to go back to the drawing board and develop a new economic strategy which allows for higher crude oil production with all appropriate safety & environmental safeguards in parallel with developing a sustainable Uinta Basin economy with superior health outcomes is the only responsible thing to do.

Thank you for your consideration.

Craig Wallentine
Summit County, UT