

Women's Mining Coalition



Coal Industry Briefing to the Western Caucus

April 19, 2016

Agenda

- Overview – coal industry conditions
- Recent coal regulations
 - Environmental Protection Agency (EPA)
 - Clean Air Act §111(d) “Clean Power Plan” for existing power sector coal units
 - Clean Air Act §111(b) for new power sector coal units
 - Technology repercussions
 - Department of the Interior
 - Office of Surface Mining Reclamation and Enforcement (OSM)’s Stream Protection Rule
 - Federal Coal Leasing Program Moratorium and Reform
 - Office of Natural Resources Revenue (ONRR)
 - Bureau of Land Management (BLM)

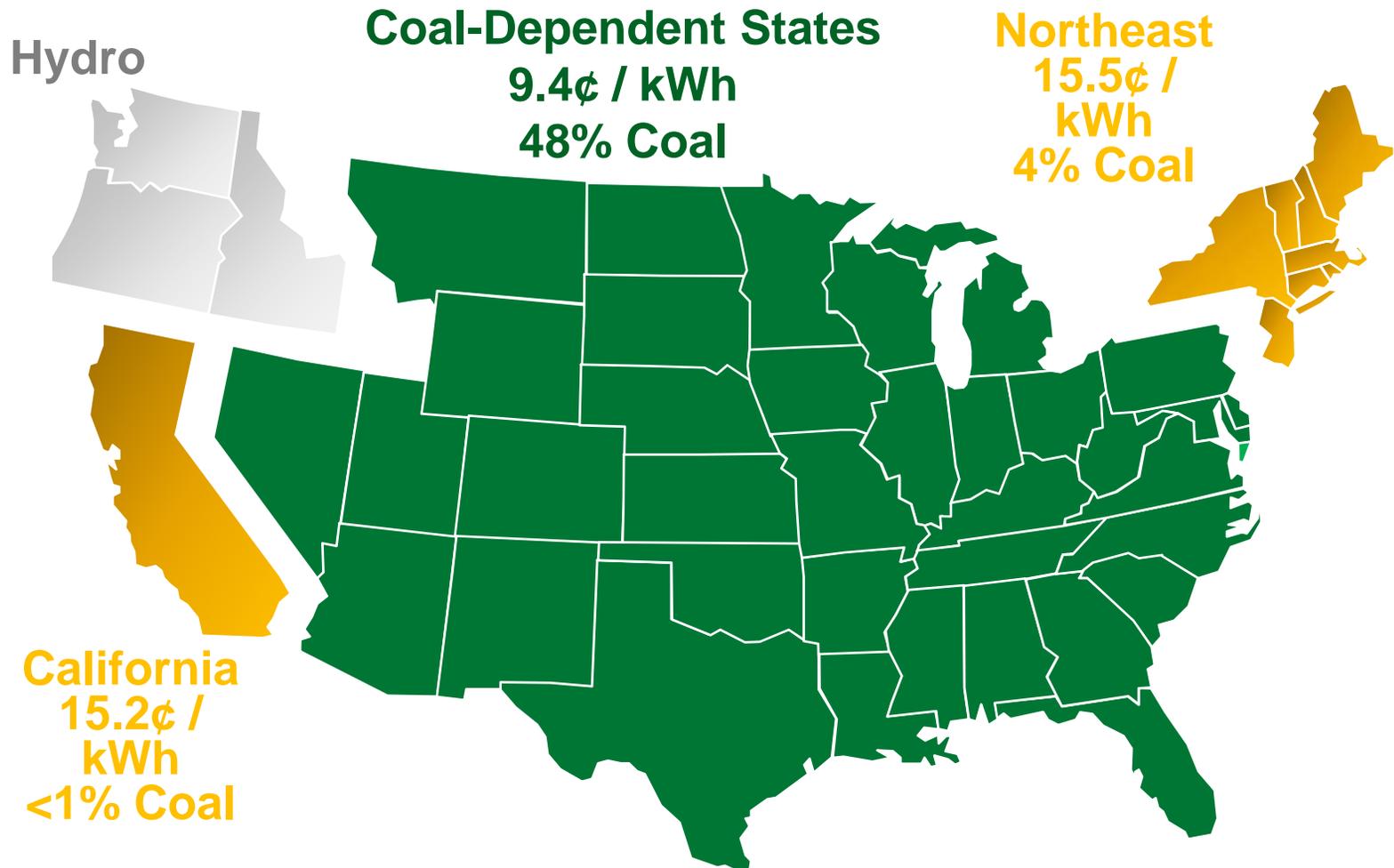
Coal Industry Conditions

- Continuing very weak markets
 - Competition from inexpensive natural gas
 - Mild winter
 - High coal plant inventories
- Increasing & extreme federal regulation
 - Demand destruction due to premature coal plant shutdowns – i.e., MATS
 - Threat from impending regulations that will keep coal in the ground

EPA's CAA §111(d) “Clean Power Plan”

- Reduces power sector fuel choice & diversity
 - 38 GW coal plant shutdowns – EPA projection
 - In addition to 65 GW already closed
 - Coal plants less available to buffer spiking natural gas prices, or to back up less-reliable renewables
- Increases costs – NERA Economic Consulting estimates at least \$29 billion/year in compliance costs, & double-digit annual electricity rate increases
- No climate benefit – carbon emissions growth from other countries by 2025 cancels out 30 years worth of CPP reductions
- Legal challenges & SCOTUS stay

Non-coal States Pay 60% More for Electricity



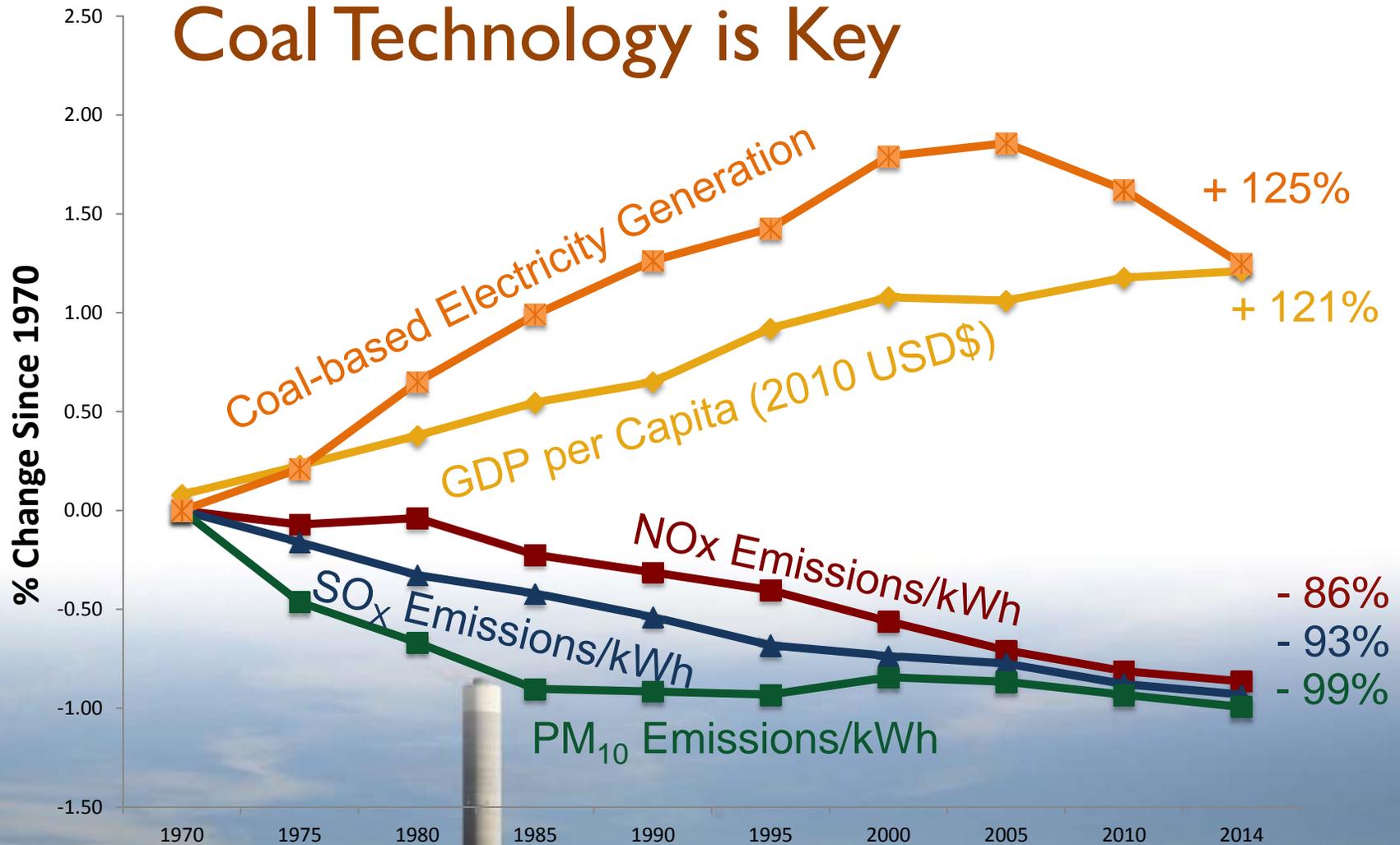
Source: Peabody Energy, U.S. Energy Information Administration, Electric Power Monthly, February 2015. 2014 average retail electricity prices for electric power sector per kWh.

Weighted average of CA and NE states equals 15.4 cents per kWh. ID, OR, WA excluded due to hydropower.

EPA's CAA §111(b) Regulation, and Technology Impacts

- Standards for new power plants disadvantage coal
 - 1,100 lbs./CO₂/MWh for natural gas is achievable with current technology
 - 1,400 lbs./CO₂/MWh requires carbon capture & storage (CCS) technology, still in “first of a kind” stage
- Chills investment in CCS and all coal technology including new high-efficiency, low emissions power plants capable of reducing emissions by 30-40%
- Cedes U.S. worldwide technology leadership position
- Ignores growing global coal needs – to over 8.5 billion tonnes in 2020 per World Coal Association

Emissions Reduction Success – Coal Technology is Key



Approximately \$111 billion invested through 2015 to achieve these emissions reductions.

Source: USDA 2015 & EIA 2015, American Coalition for Clean Coal Electricity

DOI's Stream Protection Rule

- DOI Office of Surface Mining Reclamation & Enforcement (OMS)'s sweeping regulatory re-write. Initial focus Appalachia, now national
- Duplicative and redundant – overlaps with jurisdictions of state agencies, EPA, and the U.S. Army Corps of Engineers
- Lacks environmental improvements – DOI's own reviews show effective performance and adequate stream protection under existing regulations
- Ramboll Environ study – devastating consequences to mining
 - Total jobs at risk including mining and linked sector – 113,000 to 281,000, or 30% to 75% of current employment!
 - Includes 40k to 77k direct mining jobs (western region up to 10k of this)
 - Takes 27% to 64% of coal reserves off the table
 - Lost coal production valued at \$14 to \$29 billion/year
 - Federal and state tax revenue of \$3.1 to \$6.4 billion/year is foregone
 - Congressional Budget Office expectations – coal costs would rise, production would fall

DOI's Federal Coal Leasing Reforms

- 40% of U.S. coal production is on federal leases
- Jan 2016 – moratorium on federal leases during a comprehensive programmatic review (at least 3 years)
 - BLM estimates ~1.9 billion tons will be off limits in 9 states, including 7 western states – AR, CO, MT, ND, OK, UT, WY
 - Puts at risk 65,000 direct and indirect mining jobs and billions of tax revenue dollars
- ONRR plans changes to coal valuations, likely increasing costs
 - Existing structure provides excellent returns to the public (i.e., \$4.8 billion in taxes & royalties paid by producers over 3 years)
- BLM plans changes to royalty rates. May increase surface mining rate by 50%, from 12.5% to 18.75%
- Recent reviews by GAO and the DOI Inspector General showed no royalty underpayments and made no recommendations to change royalty valuation methods



Summary and Recommendations

EPA and DOI regulatory initiatives add to a growing list of unworkable federal regulations for coal mining and use that are complex, ambiguous, over-reaching, counterproductive, and costly

- EPA carbon regulations that diminish fuel choice and competition for the power sector unnecessarily burden American families and businesses with costs for which there are no commensurate climate benefits.
- DOI's Stream Protection Rule offers no environmental improvement in exchange for widespread job loss and economic devastation.
- DOI regulatory initiatives for federal coal leases that would increase mining costs in order to garner additional tax/royalty revenue will backfire.

- WMC supports eliminating funds for EPA to continue development of the policy framework to advance the Clean Power Plan.
- WMC urges support for technology advancement including expanding 45Q tax credits for CCUS.
- WMC appreciates House passage of H.R. 1644, the "STREAM" Act, and urges Senate passage of S.1458.
- WMC supports reduced funding for DOI OSM's regulatory program, along with not funding the SPR rulemaking process.
- WMC advocates for legislation or appropriations efforts to halt DOI's federal coal leasing moratorium and program reforms.

Questions??



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