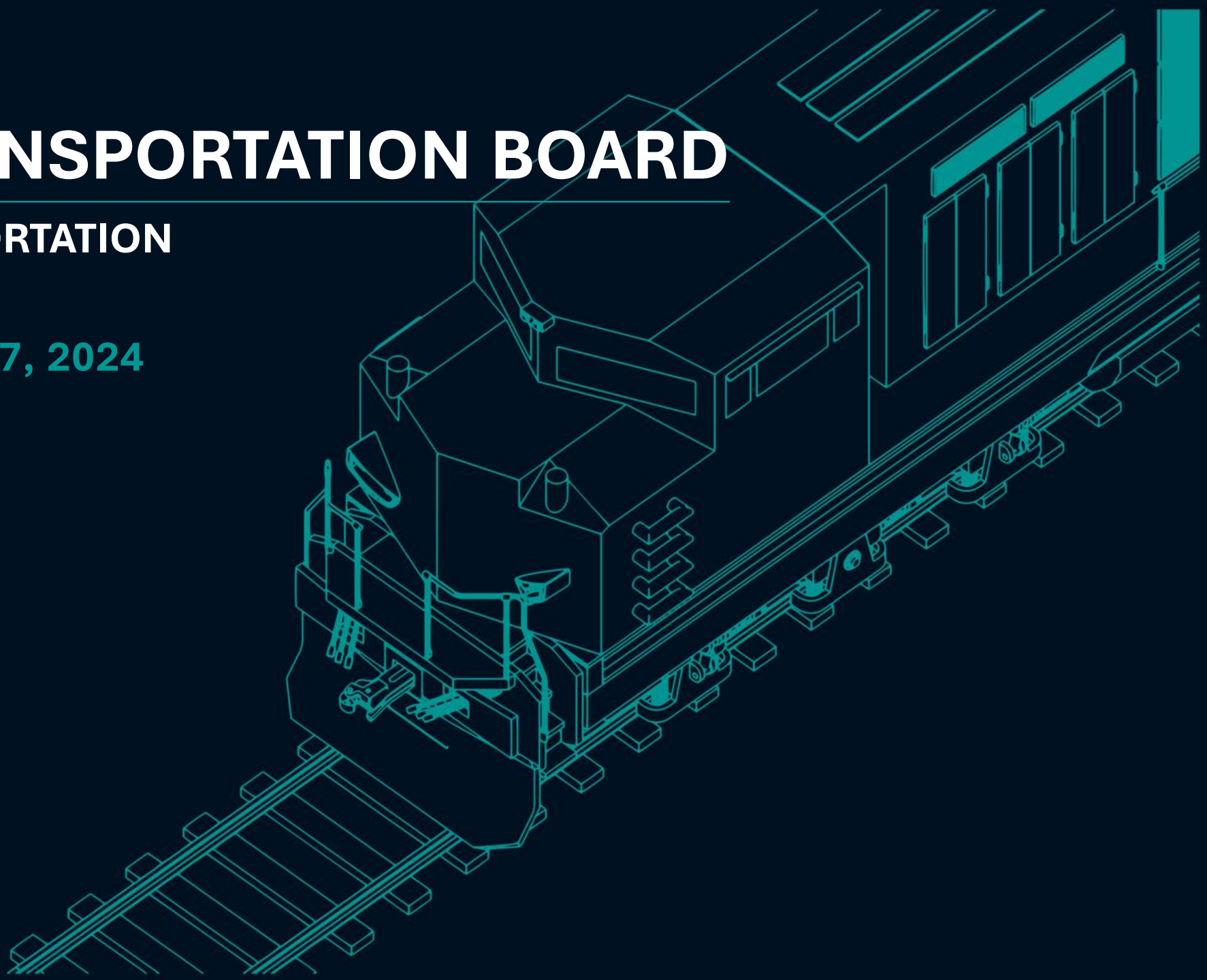


SURFACE TRANSPORTATION BOARD

RAIL ENERGY TRANSPORTATION
ADVISORY COMMITTEE

COAL UPDATE | APRIL 17, 2024



RAIL SERVICE COLLABORATION



Given the recent tragedy in Baltimore and the complete closure of the shipping channel there, it will be important for Eastern rail carriers to work with shippers to redirect resources and coal volumes to other ports



It will become even more critical should the port closure prove to be longer than the Corps' end of May timeline



Collaborative efforts are also ongoing in Alabama where an unexpected lock outage on the Warrior River has required rail carriers to redirect coal shipments



This productive collaboration between coal producers, shippers, and rail carriers will continue to promote success in these challenged shipping lanes, but more is needed to fine-tune coal shipping lanes across the United States

RAIL PERFORMANCE & SERVICE CONCERNS



Some rail service metrics have improved recently due in part to rail carrier efforts but also a broader softening in demand for commodities and rail shipping services



A milder-than-expected summer and winter seasonal demand for energy resulted in a significant stockpiling of energy which will reduce rail demand for thermal coal during the first half of 2024, but it is expected to recover the second half of 2024



Headcount reductions at some Class I rail carriers is of concern due to past service challenges that shippers encountered following headcount reductions




Rail carriers need to plan for rail volume increases that will undoubtedly return, by maintaining the operating flexibility, spare capacity, and human capital necessary to respond during demand cycles as the market begins recovery



Rail shipping costs have increased over the past several years and is a growing concern. Rail transportation costs must not inhibit the recovery in domestic coal demand in 2024 or deter additional growth in the opportunities for U.S. exports

OUTLOOK FOR COAL NETWORK REQUIREMENTS



In 2023, global coal consumption reached a record high of over 8.5 billion metric tons and provides a sustainable opportunity for U.S. coal exports that are critical for our allies to secure safe and reliable sources of energy and commodities

The U.S. is a primary global source of high-quality coking coal essential to the manufacture of new steel, and it is expected to grow in importance over time. As a result, U.S. coking coal exports are facilitating steel-intensive efforts to advance economic development, poverty alleviation, urbanization, and the construction of low-carbon economies around the world. This anticipated growth will necessitate significant, ongoing investment in U.S. rail resources and rail infrastructure in the years ahead

After over a decade of decline in thermal coal demand, U.S. domestic demand may be stabilizing with increased data centers, technologies, electric vehicles, and other energy intensive industries seeking to locate in the United States. Without significant increases in electricity generation capable of providing a steady 24-hour supply of power, it will be impossible to locate many of these facilities domestically. Class I carriers must ensure healthy capital and resources are maintained for domestic coal networks

QUESTIONS?



NMA

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