



**U.S. Surface Transportation Board**

**Rail Energy Transportation Advisory Committee Coal Production Sector**

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# 2022 Coal Consumption and Price Impacts

## Rail challenges contributed to higher energy prices for U.S. consumers and to missed export opportunities for U.S. coal producers throughout 2022



During 2022, U.S. coal-based power generation was heavily constrained by low coal stockpile levels at power plants and overall deliverability concerns



The industry estimates that coal *consumption* was reduced by 20 to 30 million tons in 2022 due to utility coal conservation efforts leading up to and during the winter months

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In the Powder River Basin alone, the industry estimates that 35 to 40 million tons of committed volumes failed to ship as scheduled – exacerbating stockpile shortages and energy security issues



This effort to conserve coal placed added pressure on domestic natural gas markets, and pushed natural gas prices to an average of \$6.54 per million Btu's on the year – 76 percent higher than in 2021



Despite improvements since the beginning of 2022, western rail performance has continued to undershoot stated customer demand year-to-date in 2023

# 2022 Export Considerations

**Poor rail performance also reduced the ability of U.S. coal producers to move volumes to international customers, at a time when many U.S. allies were scrambling for additional energy supplies**



Given restrictions on imported Russian natural gas and coal that took effect in August 2022, generators in many allied countries looked to U.S. coal producers for replacement volumes



In many instances, U.S. coal producers were unable to answer the call due to the inability to secure sufficient rail service to export terminals on the Pacific Coast, the Gulf Coast, and the Mississippi River system



These shortfalls include instances in which the rails failed to provide already agreed-upon rail service for export volumes, at a significant economic cost to U.S. coal producers



While the world avoided a full-blown energy crisis this past winter, EU generators could well struggle to build sufficient inventories of natural gas and coal in advance of winter 2023/2024 due to the continued lockout of Russian volumes



In short, U.S. coal producers could once again be called upon to provide alternate sources of supply to allies in Europe and Asia, but will require adequate rail service in order to provide critical assistance

# Impacts on Western Production and States

**While inadequate rail service has had – and could continue to have – an adverse impact on coal producers and our customers, the cost to other major stakeholders has been substantial as well**

The coal conservation efforts highlighted previously almost certainly played a major role in last year's significantly elevated natural gas prices

- ✓ U.S. power generators were forced to use more natural gas than they otherwise would have, creating upward pressure on power prices for all consumers
- ✓ Higher natural gas prices affected virtually every U.S. consumer, whether due to higher heating bills or increased input costs on a vast array of products and services

Given that taxes and royalties comprise nearly 30 percent of the selling price of Powder River Basin coal, curtailed coal shipments have had an adverse impact on federal, state and local government revenues

- ✓ Based on the published average sales price for Powder River Basin coal in 2022, the industry estimates that rail disruptions reduced federal revenues by more than \$40 million in 2022
- ✓ Based on those same assumptions, the state and county governments in Wyoming may have experienced lost revenues approaching \$100 million in 2022
- ✓ Those revenues – particularly at the state and local levels – are integral to the funding of a wide range of critical public services, including education