

Coal Update

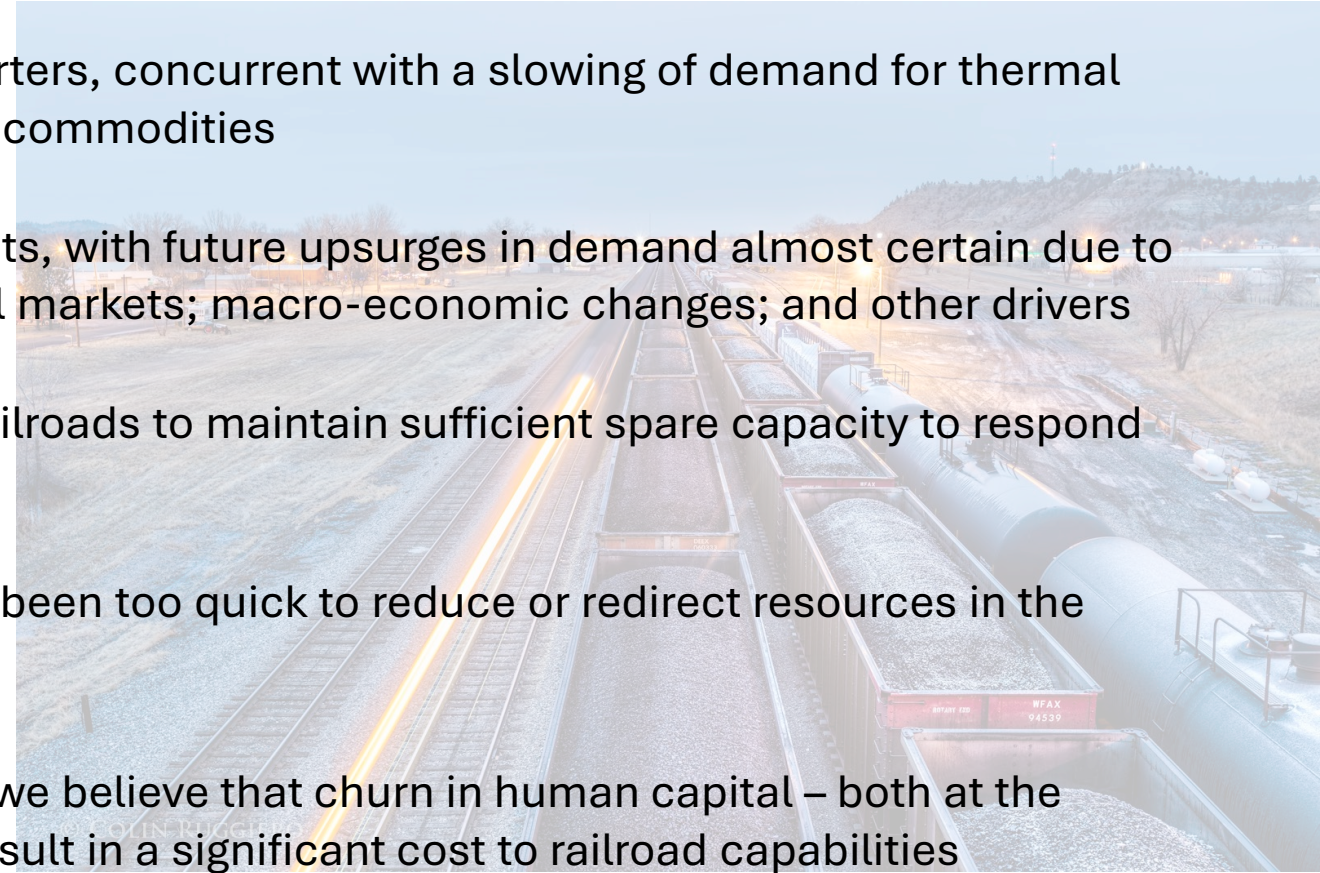
U.S. Surface Transportation Board
Rail Energy Transportation Advisory Committee

October 18, 2023



CURRENT SERVICE LEVELS AND KEY CONSIDERATIONS

- ▶ Rail performance has improved in recent quarters, concurrent with a slowing of demand for thermal coal for power generation as well as for other commodities
- ▶ Volatility is an inherent factor in energy markets, with future upsurges in demand almost certain due to severe weather; disruptions in competing fuel markets; macro-economic changes; and other drivers
- ▶ Given this fact, we believe it is essential for railroads to maintain sufficient spare capacity to respond to rapid shifts in demand
- ▶ In recent years, we believe the railroads have been too quick to reduce or redirect resources in the wake of market downturns
- ▶ In addition to the paring back of hard assets, we believe that churn in human capital – both at the administrative and operational levels – can result in a significant cost to railroad capabilities

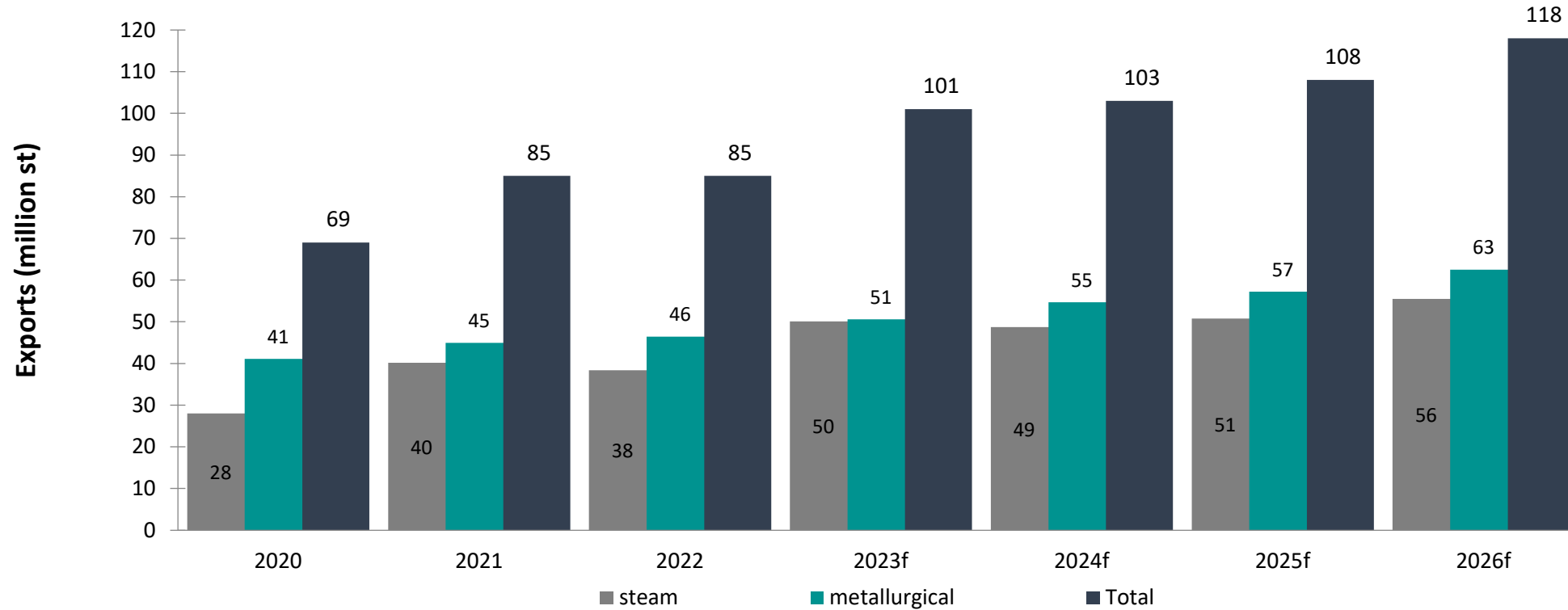


GROWING EXPORT OPPORTUNITIES

- ▶ Global coal consumption in 2022 reached an all-time high of 8.3 billion tons
- ▶ U.S. coal exports increased by nearly 25% from 2020 to 2022, and are up 15% year-to-date versus the same period of 2022
- ▶ Years of underinvestment in global coal supply is continuing to bolster U.S. export opportunities
- ▶ U.S. coal producers will need the continued support and flexibility of U.S. railroads to capitalize on this trend
- ▶ Declining U.S. thermal coal consumption is freeing up rail capacity that can be repurposed for increased export moves
- ▶ Increased coal exports are well-aligned with U.S. economic objectives, including a more favorable trade balance and more stable global energy markets
- ▶ U.S. is uniquely equipped to assist its allies and calm roiled energy markets – but doing so will require a well-functioning logistics chain

COAL EXPORTS

U.S Coal Export Trends, Forecast



Source: Bureau of the Census, Department of Commerce; EIA Annual Energy Outlook