Surface Transportation Board
RETAC Meeting
Coal Producer Update

MARCH 14, 2013
Coal Producer Members

- John Hull – VP Transportation, Peabody Energy
- Christopher Marsh – VP Transportation, CONSOL Energy Sales
- Kent Smith – Sr. VP Commercial Operations, Arch Coal Sales
Issues Facing Industry

- Decreased Domestic Demand for Thermal Coal
- Detrimental Regulatory Environment
- Decline in International Coal Prices
- Subsidies to Wind and Solar Generation
Decreased Demand for Domestic Thermal Coal

- Low Natural Gas Prices
- Coal Production Down
  - Total 2012 Production down 76 million tons from 2011
- Employment Down
  - Layoffs continue into 2013
  - Central Appalachian region impacted particularly hard
- Capital Expenditures Down
- Ability of Industry to respond to sudden demand increase will be challenging
Impact of Natural Gas Prices on PRB

Burn at 50 Largest PRB Plants

Nat Gas $/mm

STB RETAC Coal Producer Update
Detrimental Regulatory Environment

- Utility regulations (CSAPR, MACT, etc.)
- Many Mining Industry Specific Issues
  - EPA veto of previously issued Spruce Permit *
  - EPA Water Conductivity Guidance *
  - Major backlog of permit approvals (including renewals)
  - Increased Federal Office of Surface Mining (OSM) oversight of state regulatory programs
- Regulation of Carbon Emissions

* Federal courts have ruled in favor of Industry; EPA has appealed with cases pending
US coal export volumes continue to grow
- 125 million in 2012; up 17% from 2011 and 54% from 2010

International prices remain very low

Volume limited to port capacity; particularly off West Coast

Delivered Thermal Coal to ARA (Europe)