WEST VIRGINIA COAL 2016
Opportunities and Challenges

Governor’s Energy Summit
October 6, 2016
LAST YEAR:
Not like any other “downturn” – historically it’s been the “economy, strikes”

Government has their “foot on our throat”

Industry and the UMWA share similar goals for -- more coal and more coal-fired power
We (WV-industry-miners) must take the “LEAD”

THOUGHTS FOR TODAY:
Why not WV?  (reserves, infrastructure, best miners)
We’ve taken you through the first 100 years---ready to take you through the next 100!
Just need to get “first downs” --- not a “touchdown” every time!
Take care of our own --- accentuate our strengths and positives
Best way to predict the future is to create it! (Batelle)
One man in the White House can make a difference!

(Executive orders—regulations—agency behavior)

WHERE WE ARE – STATUS TODAY
WHY WE’RE HURTING—BUT STILL RELEVANT-IMPORTANT
HOPE FOR TOMORROW
# Facts in Brief

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016 YTD (June)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underground</td>
<td>92,578,437</td>
<td>80,442,620</td>
<td>34,950,363</td>
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<tr>
<td>Surface</td>
<td>30,052,071</td>
<td>18,860,330</td>
<td>6,642,332</td>
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<tr>
<td>Total Production</td>
<td>116,630,437</td>
<td>99,282,950</td>
<td>41,592,695</td>
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<tr>
<td><strong>Mines</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underground</td>
<td>86</td>
<td>86</td>
<td>53</td>
</tr>
<tr>
<td>Surface</td>
<td>60</td>
<td>60</td>
<td>34</td>
</tr>
<tr>
<td>Number of Mines</td>
<td>145</td>
<td>145</td>
<td>87</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Underground</td>
<td>14,073</td>
<td>12,995</td>
<td>10,110</td>
</tr>
<tr>
<td>Surface</td>
<td>4,086</td>
<td>3,014</td>
<td>2,146</td>
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<tr>
<td>Coal Handling Facilities</td>
<td>1,940</td>
<td>1,887</td>
<td>1,540</td>
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<tr>
<td>Direct Coal Employment</td>
<td>20,099</td>
<td>17,896</td>
<td>13,786</td>
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<tr>
<td>Contractors</td>
<td>28,940</td>
<td>30,431</td>
<td>28,600</td>
</tr>
<tr>
<td>Total Employment</td>
<td>49,039</td>
<td>48,327</td>
<td>42,386</td>
</tr>
<tr>
<td><strong>Economic Impact</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Average Annual Coal Wage</td>
<td>$3,530,808,000.00</td>
<td>$3,382,890,000.00</td>
<td>$1,483,510,000.00</td>
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<tr>
<td>Coal Severance Collected (est.)</td>
<td>$314,900,000.00</td>
<td>$231,648,021.00</td>
<td>$109,361,291.00</td>
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<tr>
<td>Estimated Production Value</td>
<td>$6.87 Billion</td>
<td>$4.32 Billion</td>
<td>$2.43 Billion</td>
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<tr>
<td>Share of WV GDP</td>
<td>13%</td>
<td>12%</td>
<td>12%</td>
</tr>
</tbody>
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The War on Coal is Real

Obama Kept His Promise, 83,000 Coal Jobs Lost And 400 Mines Shuttered

This Labor Day, America has 83,000 fewer coal jobs and 400 coal mines than it did when Barack Obama was elected in 2008, showing that the president has followed...

HTTP://DAILYCALLER.COM/2016/09/05/OBAMA-KEPT-HIS-P...
The War on Coal is Real

Figure 1: Historical Coal Production Levels

- West Virginia, Millions of Short Tons
- Rest of U.S., Millions of Short Tons

Source: Energy Information Administration
*Note: 2016 figure represents seasonally adjusted annualized rate for first two quarters.
# The State of Coal 2015 (2014)

<table>
<thead>
<tr>
<th>Coal Taxes to Counties and Schools</th>
<th>2014-2015</th>
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</thead>
<tbody>
<tr>
<td>25% Distribution (All Counties/Municipalities)</td>
<td>($6.6m)</td>
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<tr>
<td>Coal Producing Counties Distribution</td>
<td>($25.7m)</td>
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<tr>
<td>Total Coal Severance Payments Distributed</td>
<td>($32.3m)</td>
</tr>
<tr>
<td>Infrastructure Revolving Fund</td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
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West Virginia Coal --- 2015

- Association --95% WV’s coal production
  - 200 member companies
- 24 (27) coal-producing counties (of 55 total)
  - Marshall #1 (16.3M); Marion #2(13.1M); Boone #5(7M)
- #2 coal-producing state
  - 26 states mine coal
- #1 underground-coal producing state
- #1 coal-export state (@ 50%)
  - Shipped to 37 foreign countries
- 30.1M (est) tons = 97% WV’s electricity
  - 61% WV coal (18.4M (est) tons)
- 9 coal-fired plants = 95% compliant
  - 56% WV electricity – exported
- 33% Appalachian “Demonstrated Reserves”
  - WV Geological Survey --- 50B tons
  - EIA --- 31.7 Billion Tons (13B tons-met)
  - Mined in past 153 years --- 14B tons
  - America has more coal than any other country- 28%
U.S. Has Most Coal Reserves
Assets & Opportunities

- **Best coal miners & managers in the world**
  - Want a job --- not a handout!
- **Best “environmentalists” in the world!**
- **Best (quality) coal in the world**
- **Infrastructure in place**
  - Need help from shippers
- **3rd “Most Forested” State (CO₂)**
- **There’s “no substitute” - Coal “fastest growing”**
  - 19% world population – NO electricity
  - We and WV MUST BE READY to take advantage!
- **Recognize Advancements in Air Quality**
  - Current U.S. CO2 emissions – 23% below 2005 levels!
  - Legislative approval of State Implementation Plan (SIP) – HB 2004
  - Since 1980 – 90% emission reduction (170% coal fired)
  - Protect our generation assets and electric grid
    - (reliability-save old plants with NSR “relief”-PSC)
  - Longview Plant
Assets & Opportunities

- **Cooperative State Administration, Legislature & Attorney General**
  - Reduce costs (laws, regs, policies, practices, taxes)
    - HB 4726 – (“Coal Jobs & Safety Act for 2016”)
    - SB 419 ---- (Eliminating $0.56/ton WC tax – 7/1/16)
  - AG’s multi-state suits against EPA – *stayed* EPA’s CPP
  - Maintain environmental protection & safety with a “level” playing field -- innovation

- **Encourage Mining & Business Development**
  - *Solicit* mining development & power plant/CTL construction
    - (like the “cracker”)—*must compete for mining* today
  - DoD–National Guard (“Joint Base West Virginia”)
  - Agriculture projects (apples, bees, greenhouses, pork, beef)
  - Veterans
  - Highways (Coalfield Expressway – King Coal Highway)
  - Diversify with our talents and strengths *(rebuild)*
  - Water use v. treatment
  - Rare Earth Elements (REE) – mine pools
Sustaining for the Future
Development & Diversification

• **MINING** is “helping build a diversified WV”

• **DEVELOPED SITES**
  
  - Joint Base West Virginia – Tyler-Morgan, Fola, Logan & Mingo (DoD/National Guard)
  - Agriculture – “Patriot Guardens” / Greenhouses/ Golden Delicious Apples/Beekeepers/ Cattle/Pork/VETERANS
  - Bechtel Summit Boy Scout Complex – Fayette
  - Mingo Central High School
  - Earl Ray Tomblin Conference Center-Chief Logan
  - King Coal Highway & Coalfield Expressway
  - Mingo & Logan Counties’ Regional Airports
  - Twisted Gun Golf Course
  - Hatfield-McCoy Trail System
  - The City of Weirton
  - Pete Dye golf course
  - Mount View High
  - Independence High School
  - Regional jails and federal prisons
  - Anker Sports Complex
  - Beckley YMCA Soccer Complex
  - FBI Complex
  - Mylan Park
  - Bright Mountain Subdivision
Challenges and the “War on Coal”

- **EPA protest letter-Mingo County operation**
  - Inauguration day 2009 (still not issued)
- **EPA veto of issued permit for Spruce**
- **MOU/IAP “Blueprint” for Appalachian Coal**
- **Conductivity guidance document**
- **Mercury MACT** (72 GW/360 GW – coal fleet)
  - Most expensive rule before CPP ($100 Billion)
  - Albright, Rivesville, Willow Island, Sporn, Kammer, Kanawha River (3 GW-18% of total capacity)
- **CAIR/CSAPR**
- **Ozone regulations**
- **CPP- Carbon regulations-new and existing** (stay issued)
- **Stream Protection Rule**
  - 52%-92% reduction in Appalachian coal production
  - Eliminates longwall mining
- **WOTUS** (stay issued)
- **Low-priced natural gas**
- **World and America’s economy**
- **Subsidies & incentives for alternative energy**
The War on Coal is Real
Survival Issues

- Clean Power Plan / CO2 Regulations
- Stream Protection Rule
- Mercury Regulations: (Utility MACT / Industrial MACT)
- Water Quality Standards
- Endangered Species Act (ESA)
State & Federal Needs

- **State comprehensive energy plan--**regional
  - RECOVERY -- Using West Virginia coal – oil & gas – forestry \((\text{CO}_2)\)
- **Level “playing field” among energies**
  - Subsidies-permits-taxes (equality)
- **Oppose EPA –**OSM and regulatory overreach
  - 28 states against – 24 AG’s in suit re: 111(d)– stay issued
  - Next Round of Hg MACT Litigation
  - Stream buffer zone rule– STOP!
- **Truth** on EPA’s Clean Power Plan
  - If **entire** U.S. coal fleet “shuts-down” by 2050:
    - Decrease world \(\text{CO}_2\) by 1%
    - Decrease “temps by 0.03 degrees C”?
    - Decrease sea level by 1.1mm  (a dime is 1.35mm thick)
We need HELP to Compete

• **Highest severance tax of all surrounding states and IL & IN**
  – 5% selling price w/ thin seam reduced rate—2014 was $3.48/ton
  – PA, IL & IN have **no** severance tax ($4/ton advantage in PA)
  – Additional severance tax of $0.56/ton – workers’ comp legacy (RETURNED)

• **Paid more severance tax in last 11 years than previous 30 years**
  – $4.6 Billion
  – Always “stepped up”
    • Workers’ comp- “Rainy Day Fund” – wars- industrial & information revolutions

• **Property taxes on mineral and equipment**
  – Complicated formulas –
  – $1.29/ton in 2014 -- 1/3-mineral and 2/3 equipment
  – Idled equipment – un-mineable reserves need attention

• **Enhance dispatch of electricity**
  – Lower “government impositions” – lower priced fuel
Positives

Power & Coal-to-Liquid plants
Rare earth elements
Agricultural diversification
Veterans
Regulated in-state electricity generators
Longview Power
Coal prices and demand reductions (coal/steel) in China
Attorney General Morrisey’s initiatives multi-state suits (CPP, WOTUS, SPR)
Legislature’s attention tocompetitiveness
Ready workforce – in-place infrastructure
We MUST...

• Get/keep our WV operations – competitive
  • Maintain Safety – Stewardship
  • Legislation – Regulation – Policy – Practices
  • TAXES

• Create own markets
  – Mandate Power plants (state)—CTL opportunities
  – REE – Agriculture – mine pools

• Re-establish “Respect” for our miners and managers!

• Keep our people working – Everyday -- in West Virginia!