WEST VIRGINIA COAL 2017

There is **HOPE- where there was none!**

2017 Governor’s Energy Summit
“Advancing Energy Development”
October 18, 2017
Stonewall Resort
WV Road Bond Election

• Voting “YES” – Very, very IMPORTANT!
  – Our FUTURE DEPENDED ON IT!

• No NEW TAXES!

• More than 600 projects

• EVERY COUNTY has projects

• $3,380,261,931
  – Combines 3 bonding programs
    • “Roads To Prosperity”// GARVEE // Parkway Bonds
West Virginia Coal --- Who we are

- Association --95% WV’s coal production
- #2 coal-producing state-84 million tons -- >19%-ytd
  - 64% - steam  36% - met
- #1 underground-coal producing state – 70m tons
- #1 coal-export state (@ 50%) – 19m tons
  - Ship to 36 foreign countries
  - Jan-Aug ‘17 v. ‘16 exports – USA
    - up >150% (steam)32%(met)
- 29.6M tons = WV’s electricity
  - 53% WV coal (15.7M 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 154 years --- 14B tons
  - America has more coal than any other country- 28%
Eight years of “IMPACT”!

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
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<tbody>
<tr>
<td></td>
<td>2008</td>
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<tr>
<td><strong>Production</strong></td>
<td></td>
</tr>
<tr>
<td>Underground</td>
<td>97,378,703</td>
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<tr>
<td>Surface</td>
<td>68,372,114</td>
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<tr>
<td>Total Production</td>
<td>165,750,817</td>
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<table>
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<tr>
<th>Mines</th>
<th>2nd Quarter 2017</th>
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<tbody>
<tr>
<td>Underground</td>
<td>300</td>
</tr>
<tr>
<td>Surface</td>
<td>240</td>
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<tr>
<td>Number of Mines</td>
<td>540</td>
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<table>
<thead>
<tr>
<th>Employment</th>
<th>2nd Quarter 2017</th>
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<tbody>
<tr>
<td>Underground</td>
<td>14,678</td>
</tr>
<tr>
<td>Surface</td>
<td>6,249</td>
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<tr>
<td>Coal Handling Facilities</td>
<td>2,351</td>
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<td>Direct Coal Employment</td>
<td>23,278</td>
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<tr>
<td>Contractors</td>
<td>29,245</td>
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<tr>
<td>Total Employment</td>
<td>52,523</td>
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</table>
The “War on Coal” was & is Real

Figure 1: Historical Coal Production Levels

Source: Energy Information Administration
*Note: 2016 figure represents seasonally adjusted annualized rate for first two quarters.
WV- “Ground Zero” for the War

- **DOWNTURN “UNLIKE ANY OTHER”***---
  - Usually had been the “ECONOMY OR STRIKES”
- **WV COAL PRODUCTION DROPPED TO 84M TONS**
  - Lowest level in 40 years
- **60% OF WEST VIRGINIA PRODUCTION IN BANKRUPTCY**
- **STATE BUDGET WOES / CRISIS**
- **STATE REGULATORY PROGRAM “HELD STEADY”**
- **STATE PROGRAM STRONG AS IT HAS EVER BEEN**
  - Told “NO” for 8 years!
2008 -- The “War on Coal” was REAL

Executive Orders, regulations, agency policy & behavior

- Permitting Interference – *(Mission: Create “Uncertainty”)*
  - EPA (1st protest -- Inauguration Day)
  - NPDES/404
  - Conductivity

- State Program Nullification
  - EPA
  - Illegal WQStds (TDS, conductivity)
  - OSM
    - TDN’s/Program approval
    - SMCRA/CWA Enforcement Memo
    - Stream Protection Rule
    - Fish & Wildlife

- MSHA

- Demand Destruction / Displacement
  - Hg MACT
  - Clean Power Plan
  - Forced closures/conversions (600 at 400) — 20%
We need HELP to Compete

West Virginia Coal is Being Displaced from Traditional Utility Markets

- **45.8 Million Ton Decline**
- **24.8 Million Ton Increase**
- **3.3 Million Ton Increase**
- **1 Million Ton**
HOPE – A “new & different future” was created -- November 8, 2016 --

President Trump elected

One man can make a difference!

(Executive orders—regulations—agency behavior—appointments--POSITIVE ATTITUDE)

Reg Freeze (1/20/2017)
Stream Protection Rule

Congressional Review Act (signed 2/16/2017)

Costly Power Plan Executive Order (3/28/2017) ***Repeal (10/11/17)
Hg MACT (4/27/2017)
Stop Paris Agreement
Ozone Rule (6/6/2017)
Health Effects of Coal Mining – NAS Study (8/21/2017)
McDowell County “crawdad” --- FWS/OSM

***DoE Report/Secretary Perry’s letter on Electric Grid Reliability/Resilience (FERC)
OSM directives – separating Clean Water Act/Surface Mining Act
Agency appointments
Appointments

- **Scott Pruitt** — EPA (Oklahoma’s Attorney General)
- **Ryan Zinke** — Interior (Montana Congressman-Navy Seal)
  - **Tucker Davis** — Coal Policy Advisor (VA)
- **Rick Perry** — Energy (former Texas Governor)
  - **Steve Winberg** — Asst. Sec. Fossil Energy (nominated)
  - Consol/Batelle
  - **Doug Matheney** — Special Advisor to Asst. Sec. for Fossil Energy
- **Dave Zatezlo** — MSHA (nominated)
  - Rhino and AEP Fuel Supply
- **Neil Gorsuch** — US Supreme Court
We must:

• Maintain safety performance/environmental protection
  • Best coal miners/managers in the world—Protect them!
• “Level the field” among competing fuels
  • Coal is most dependable—reliable (90-day stockpile-FERC rule)
  • Equalize subsidies – regulations
• Incentivize plant upgrades & exempt from NSR
  • Utilize Guaranteed Loan Program
  • Bring all plants into PSC jurisdiction
• Retain percentage depletion for coal
• Increase Research $$ (change academia’s attitude!)
  • Clean Coal -- Coal to Gas – Liquids – Chemicals– REE’s – Power Plants
• Encourage met coal production and export
WV’s Metallurgical Coal
“Best in the world”
We must:

- **Convert liabilities into national/international assets (Research)**
  - Rare earth elements - mine refuse - acid mine drainage sludge – mine water

- **Convert liabilities into local/regional/state assets**
  - Extensive mine pools with excellent water quality
  - Use water for agricultural irrigation vs. treating to unrealistic standards

- (WV) – **Equalize severance tax with competing states**
  - (PA, IL, IN, OH)

- **Use our industry as a “bridge” to that diversification**
  - National Guard (DoD) training areas –
    - maneuver, live-fire ranges, obstacles, DZ’s and LZ’s
    - Experimental research areas – Polaris, Michelin, GM
  - “Patriot Guards” – Agriculture development with veterans
    - Greenhouses / Golden Delicious Apples / Beekeepers / Cattle / Pork
  - Rebuild facilities – international equipment from war zones
    - Associate members – hydraulic – tires – complete rebuild
Sustaining for the Future

MINING is “helping build a diversified WV”

- Joint Base West Virginia – Tyler-Morgan, Fola, Logan & Mingo (DoD/National Guard)—DZ and LZ
- Agriculture – “Patriot Guardens” / Greenhouses/ Golden Delicious Apples/Beekeepers/ Cattle/Pork/VETERANS
- Maneuver training/experimental/ranges
- Rebuild/ hydraulic and electric rebuild
- 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
• Keep WV/US Coal – the “Fuel of Choice”

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

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

• Keep our people working – Everyday