

Executive Summary

Summary

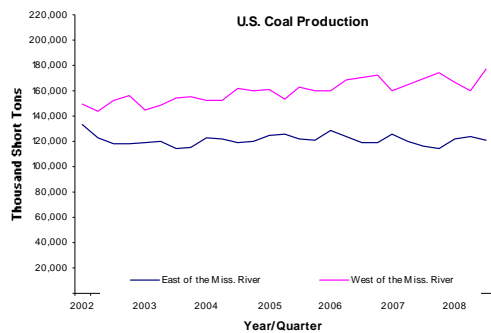
In the third quarter of 2008, U.S. coal production reached record levels in response to a continued surge in domestic demand. Although there were continuing record international metallurgical coal prices, exports declined from their second quarter levels. In part due to lower exports, coal production in the Appalachian region declined in the third quarter. However, increasing national demand, in particular the demand for coal by the electric power sector, still pushed total U.S. production higher.

Production

During the third quarter of 2008, U.S. coal production reached a record level of 299.0 million short tons (mmst), surpassing the prior quarterly record of 292.4 mmst set in the second quarter of 2006 by 2.3 percent.

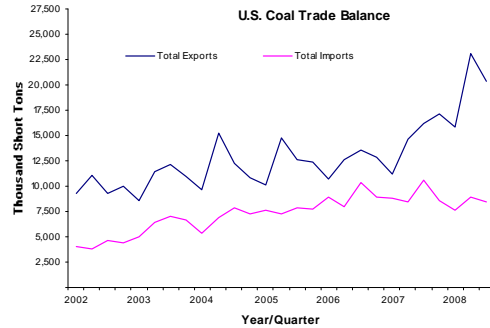
On a regional level in the third quarter, the decline in coal production in the Appalachian region was more than offset by the increases in the Interior and Western regions compared to the second quarter. The Appalachian region had a decrease in coal production of 3.7 mmst from the prior quarter. The Interior region had an increase of 2.8 mmst, while the Western region had the largest increase for the quarter of 15.9 mmst.

At the state level most of the quarter-to-quarter production changes were correlated to the regional production changes. West Virginia and Pennsylvania had the largest quarterly declines of any state, dropping by 2.7 mmst and 1.1 mmst, respectively, while Wyoming and Montana had the largest quarterly increases of any state, 12.9 mmst and 1.9 mmst, respectively. Colorado was the only major coal producing state not to follow regional production patterns, declining in the third quarter by 0.3 mmst.

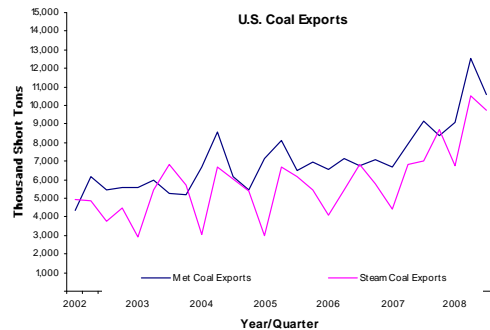


Exports and Imports

Total U.S. coal exports decreased during the third quarter of 2008, declining by 11.9 percent or 2.7 mmst. Both categories of coal exports, steam and metallurgical, had lower levels in the third quarter of 2008 as the slowing world economy helped to lessen demand.



As has historically been the case for U.S., most of the exported coal was sent to Europe, which purchased 46 percent of all coal exports. Exports to the other member countries of NAFTA, Canada and Mexico, made North America the second largest destination for U.S. exports.



Europe's demand for U.S. coal was driven mainly by exports to the Netherlands and the United Kingdom, which together accounted for almost two-thirds of Europe's export total. Total U.S. coal exports to the Netherlands and the United Kingdom in the third quarter of 2008 were comparable to their second quarter level, while coal exports to Belgium and France, the next largest European destinations, had decreases of 16.6 percent and 30.1 percent respectively from the second quarter levels. Even though coal exports declined in the third quarter, the average price of the exports continued to increase. The average price of U.S. coal exports in the

third quarter of 2008 was \$102.51 per short ton, an increase of 5.4 percent, or \$5.27 per short ton.

Different countries demand different coal for different reasons. In the case of Canada, almost all the coal it imported from the U.S. (84 percent) was steam coal for electricity generation. The opposite is true for Europe, for which the largest share (67 percent) was metallurgical coal for steel production. Of the 20.3 mmst exported by the U.S. in the third quarter of 2008, over half (52 percent) was metallurgical coal.

Although both steam and metallurgical coal exports were lower in the third quarter of the year, the average price of the different export markets went in opposite directions. Steam coal exports were down by 7.1 percent in the quarter while the average price of the steam coal exports was down by 10.8 percent from the second quarter level. However, metallurgical coal exports were down by 15.9 percent while the average price of the metallurgical coal exports went up by 14.9 percent.

Coal imports into the U.S. in the third quarter of 2008 were slightly lower than the second quarter. Total U.S. coal imports were 8.5 mmst compared to the 9.0 mmst level of the prior quarter. The average price of coal imports in the third quarter was higher by 16.3 percent at a level of \$64.65 per short ton.

Consumption

The third quarter, which comprises the majority of the summer weather, had an increase in coal consumption over the second quarter. Although the total U.S. coal consumption was up for the quarter, it was still below the third quarter consumption of the past three years. Coal

consumption in the electric power sector increased to 279.4 mmst, or 12.6 percent over the second quarter. Coal consumption at U.S. coke plants increased slightly in the third quarter to 5.8 mmst, while coal consumption in the other industrial sector declined to 13.6 mmst, down 1.9 percent from the second quarter of 2008. Coal consumption in the commercial and institutional sector was essentially unchanged compared with the prior quarter.

Domestic Prices

Domestic coal prices continued to climb in the third quarter of 2008. The average delivered price of coal to coke plants increased by 7.1 percent to \$122.00 per short ton. The average delivered price of coal to the other industrial sector increased by 8.4 percent to \$66.35 per short ton. The average delivered price of coal to the commercial and institutional sector increased by 13.0 percent to \$89.31 per short ton.

Stocks

Total coal stocks decreased in the third quarter of 2008 by 9.8 mmst, to end the quarter at 182.9 mmst, just slightly higher than the level from the same period of 2007. Coal stocks in the electric power sectors decreased in the third quarter by 9.1 mmst, to end September at 144.9 mmst. Coal stocks at other industrial, coke sectors, and commercial and institutional sectors increased slightly in the third quarter, while coal stocks held by producers and distributors decreased somewhat from the second quarter.

Table ES-1. U.S. Coal Summary Statistics, 2002-2008
(Thousand Short Tons)

Year and Quarter	Production ¹	Imports	Waste Coal Supplied	Producer and Distributor Stocks ²	Consumption	Exports	Consumer Stocks ²	Losses and Unaccounted For ³
2002								
January - March	282,573	4,000	2,277	40,284	252,967	9,253	152,645	
April - June	266,667	3,857	1,990	41,288	252,960	11,043	158,720	
July - September	270,898	4,654	2,364	35,662	290,295	9,257	143,357	
October - December	274,145	4,365	2,422	43,257	270,133	10,050	148,870	
Total	1,094,283	16,875	9,052		1,066,355	39,601		4,039
2003								
January - March	264,202	4,954	2,566	47,429	272,240	8,518	139,223	
April - June	268,499	6,393	2,267	45,070	253,709	11,450	149,903	
July - September	268,565	7,051	2,620	38,231	293,762	12,094	130,481	
October - December	270,487	6,645	2,563	38,277	275,150	10,952	127,191	
Total	1,071,753	25,044	10,016		1,094,861	43,014		-4,403
2004								
January - March	275,492	5,326	2,620	39,305	276,117	9,688	118,317	
April - June	274,335	6,853	2,320	40,698	260,315	15,255	125,893	
July - September	281,484	7,804	2,441	39,425	292,531	12,203	112,263	
October - December	280,787	7,297	3,919	41,151	278,292	10,852	112,855	
Total	1,112,099	27,280	11,299		1,107,255	47,998		6,887
2005								
January - March	285,802	7,607	3,208	38,698	278,274	10,129	111,577	
April - June	278,793	7,233	3,090	38,422	263,732	14,803	123,005	
July - September	285,293	7,832	3,828	34,965	303,668	12,620	106,191	
October - December	281,610	7,788	3,227	34,971	280,303	12,390	109,333	
Total	1,131,498	30,460	13,352		1,125,978	49,942		9,092
2006								
January - March	289,145	8,958	3,613	35,113	272,730	10,659	120,013	
April - June	292,416	7,956	3,363	35,307	261,207	12,590	144,228	
July - September	289,792	10,399	3,787	33,170	300,677	13,540	135,782	
October - December	291,437	8,933	3,646	36,548	277,677	12,858	150,398	
Total	1,162,790	36,246	14,409		1,112,292	49,647		8,864
2007								
January - March	286,041	8,786	3,224	34,007	278,645	11,139	151,186	
April - June	285,687	8,405	3,383	32,484	267,598	14,702	164,449	
July - September	286,035	10,559	3,774	30,090	304,420	16,198	151,673	
October - December	288,872	8,597	3,707	33,977	278,617	17,124	158,686	
Total	1,146,635	36,347	14,087		1,129,281	59,163		2,908
2008								
January - March	289,106	7,640	3,633	32,464 ^E	283,449	15,802	153,649	
April - June	283,933	8,982	3,634	31,395 ^E	268,388	23,069	161,261	
July - September	299,002	8,485	3,858	30,235 ^E	299,499	20,321	152,633	
Total	872,040	25,107	11,125		851,336	59,191		7,541
2007 January - September	857,763	27,750	10,380		850,663	42,039		
2006 January - September	871,353	27,313	10,763		834,615	36,789		

¹ Beginning in 2001 includes refuse recovery.

² Reported as of the last day of the quarter.

³ "Losses and Unaccounted For" is calculated as production plus imports plus waste coal supplied minus the change in producer and distributor stocks minus consumption minus exports minus the change in consumer stocks.

^E Estimated

- = No data are reported.

Note: • Total may not equal sum of components because of independent rounding. Beginning with 1999, the first three quarters of Producer and Distributor Stocks data for each year are estimated.

Sources: • Production: Mine Safety and Health Administration, U.S. Department of Labor, Form 7000-2, "Quarterly Mine Employment and Coal Production Report" • Imports: Bureau of the Census, U.S. Department of Commerce, "Monthly Report IM 145" • Waste Coal Supplied: 2002-2007 - Energy Information Administration (EIA), Form EIA-906, "Power Plant Report," 2008-Forward, Form EIA-923, "Power Plant Operations Report," and Form EIA-3, "Quarterly Coal Consumption and Quality Report - Manufacturing and Transformation/Processing Coal Plants and Commercial and Institutional Coal Users" • Producer and Distributor Stocks: 2002-2007 - EIA, Form EIA-6A, "Coal Distribution Report," 2008-Forward, "Short Term Energy Outlook" estimates • Exports: Bureau of the Census, U.S. Department of Commerce, "Monthly Report EM 545" • Consumption and Consumer Stocks: 2002-2007 - EIA, Form EIA-906, "Power Plant Report," Form EIA-920, "Combined Heat and Power Plant Report," 2008-Forward - Form EIA-923, "Power Plant Operations Report," Form EIA-3, "Quarterly Coal Consumption and Quality Report - Manufacturing and Transformation/Processing Coal Plants and Commercial and Institutional Coal Users;" Form EIA-5, "Quarterly Coal Consumption and Quality Report - Coke Plants;" Form EIA-7A, "Coal Production Report;" and 2002-2007 - Form EIA-6A, "Coal Distribution Report."

Table ES-2. U.S. Coke Summary Statistics, 2002-2008
(Thousand Short Tons)

Year and Quarter	Production	Imports	Producer and Distributor Stocks ¹	Consumption ²	Exports
2002					
January - March.....	3,894	559	909	4,385	140
April - June.....	4,128	425	850	4,408	204
July - September.....	4,374	1,168	647	5,585	160
October - December.....	4,382	1,090	606	5,224	288
Total.....	16,778	3,242		19,603	792
2003					
January - March.....	4,245	885	600	4,989	148
April - June.....	4,298	585	612	4,669	201
July - September.....	4,358	565	562	4,783	190
October - December.....	4,272	723	380	4,995	182
Total.....	17,173	2,759		19,436	722
2004					
January - March.....	4,185	1,006	349	5,137	86
April - June.....	4,224	3,628	320	7,518	363
July - September.....	4,241	1,043	317	4,825	462
October - December.....	4,258	1,196	351	5,012	408
Total.....	16,909	6,873		22,492	1,319
2005					
January - March.....	3,959	1,608	393	5,236	288
April - June.....	4,338	974	662	4,562	481
July - September.....	4,291	441	784	4,127	483
October - December.....	4,132	507	614	4,314	495
Total.....	16,719	3,529		18,239	1,747
2006					
January - March.....	4,115	675	470	4,755	178
April - June.....	4,102	939	419	4,664	427
July - September.....	4,128	1,402	495	4,825	629
October - December.....	4,059	1,052	685	4,539	383
Total.....	16,404	4,068		18,784	1,616
2007					
January - March.....	4,000	454	717	4,078	343
April - June.....	4,083	685	767	4,428	291
July - September.....	4,063	521	637	4,371	344
October - December.....	4,055	800	632	4,394	466
Total.....	16,201	2,460		17,270	1,444
2008					
January - March.....	4,036	850	478	4,723	316
April - June.....	3,810	1,243	505	4,559	466
July - September.....	4,107	998	464	4,494	653
Total.....	11,952	3,091		13,777	1,435
2007 January - September	12,147	1,660		12,876	978
2006 January - September	12,345	3,016		14,245	1,234

¹ Reported as of the last day of the quarter.

² Consumption is equal to production plus imports minus the change in producer and distributor stocks minus exports.

- = No data are reported.

Note: • Total may not equal sum of components because of independent rounding.

Sources: • Production, Consumption, and Producer and Distributor Stocks: Energy Information Administration (EIA), Form EIA-5, "Quarterly Coal Consumption and Quality Report - Coke Plants" • Imports: Bureau of the Census, U.S. Department of Commerce, "Monthly Report IM 145" • Exports: Bureau of the Census, U.S. Department of Commerce, "Monthly Report EM 545."

Table ES-3. Statistics for Coal Synfuel Plants, 2002-2008
(Thousand Short Tons)

Year and Quarter	Coal Receipts	Average Price of Coal Receipts	Coal Used	Coal Stocks ¹
2002				
January - March	17,635	32.27	17,237	970
April - June	20,367	31.48	20,652	771
July - September	23,578	31.87	23,248	1,128
October - December	23,600	32.02	23,789	951
Total	85,180	31.90	84,925	
2003				
January - March	26,558	32.10	26,334	1,210
April - June	31,327	32.71	31,077	1,455
July - September	27,911	33.13	28,110	1,287
October - December	29,380	33.52	29,787	1,132
Total	115,177	32.88	115,309	
2004				
January - March	31,633	34.39	31,374	1,251
April - June	31,882	35.99	31,968	1,023
July - September	32,006	37.46	32,172	810
October - December	30,645	37.63	30,297	1,072
Total	126,165	36.36	125,810	
2005				
January - March	33,510	41.82	33,523	1,064
April - June	36,770	42.60	36,123	1,774
July - September	37,259	42.44	37,516	1,488
October - December	33,060	44.33	32,580	1,728
Total	140,598	42.78	139,743	
2006				
January - March	33,677	46.58	33,468	1,951
April - June	26,061	47.85	25,492	2,426
July - September	16,847	52.65	17,007	2,130
October - December	33,397	46.87	33,636	1,701
Total	109,982	47.90	109,603	
2007				
January - March	36,531	45.78	35,669	2,486
April - June	39,582	45.27	39,022	2,764
July - September	39,590	45.66	40,330	1,839
October - December	30,646	48.50	31,482	387
Total	146,350	46.18	146,503	
2008				
January - March	49	39.72	-	-
April - June	-	-	-	-
July - September	-	-	-	-
Total	49	39.72	-	
2007 January - September	115,703	45.56	115,022	
2006 January - September	76,585	48.35	75,967	

¹ Reported as of the last day of the quarter.

- = No data are reported.

Note: • Data not collected on survey until 2001. Total may not equal sum of components because of independent rounding.

Source: • Energy Information Administration (EIA), Form EIA-3, "Quarterly Coal Consumption and Quality Report - Manufacturing and Transformation/Processing Coal Plants and Commercial and Institutional Coal Users."