

# Surface Transportation Board RETAC Meeting Coal Producer Update

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**MARCH 14, 2013**

# Coal Producer Members

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- 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

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

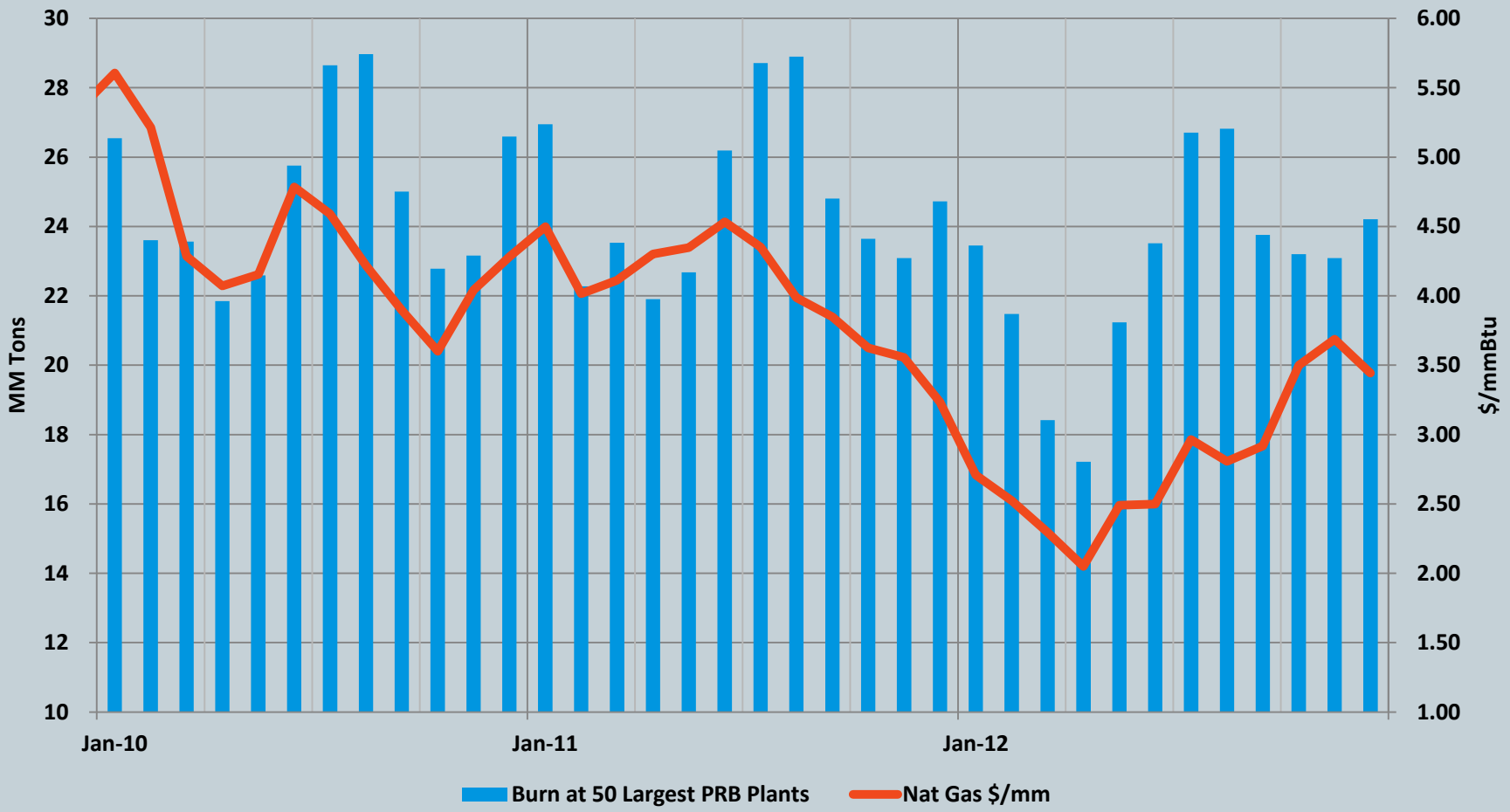
# Decreased Demand for Domestic Thermal Coal

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- **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

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# Detrimental Regulatory Environment

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- 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

# International Market

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- 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)

