



# The National Coal Council

## *Power for America from America*

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### **Thoughts as I gaze across the alley...**

The month of May will be quite the busy month for The National Coal Council. We have two full Council meetings scheduled on back-to-back days, a feat that has never been done before. And one of those meetings will truly be historic. Yes, the twice-postponed fall, 2012 full Council meeting will finally be held on May 16, 2013. This is the first meeting in the 28 year history of the Council to be postponed twice and then held in a different year than its original schedule, thus making it both unique and historic. The next day, May 17, we will get back to normal and hold the spring, 2013 full Council meeting. 2401 M Street, NW, and a venue we have used on many occasions. Pam will be forwarding to all the members the schedule of events and we look forward to seeing you all at the meetings. Also, as is our usual custom, there will be a social reception on the evening of May 16 at Smith & Wolensky's located at 1112 19<sup>th</sup> Street, NW.

But of course, that is not all that will make May a busy month. As you all are well aware, May 15 will be my last official day as the Executive Vice President and Chief Operating Officer for The National Coal Council, Inc. Effective May 16 Janet Gellici, currently

the Chief Executive Officer of the American Coal Council and a long-time member of the NCC, will succeed me. There is no doubt in my mind that she is the perfect choice to lead the Council going forward at this time. Our transition meetings have gone extremely well.

While I will remain on the NCC staff until May 31, I would like to take this opportunity to thank each and every member of the Council over the past 15 years. My first day on the job was May 1, 1998 and since then many members have come and gone, and many still remain. But all have been wonderful supporters in helping the Council achieve its mission of giving clear, professional and specific advice on coal and power issues to many Secretaries of Energy. It has been both a joy and a privilege to serve and assist in that effort. Thank you all.

And now it's time for me to begin a new career. Effective June 1, 2013 I will become a professional grandpa! The pay isn't anything to write home about, but the rewards are off the charts!

Robert A. Beck  
Executive Vice President and  
Chief Operating Officer

## Climate Change

Speaking at the U.S. Capitol following his second inauguration, President Obama again called for addressing climate change and increasing the use of renewable energy to "preserve our planet." But since the Republican-controlled House would block any climate legislation emanating from the Senate, *Argus Coal Weekly* suggested that the coal industry would face regulatory action directed against greenhouse gas emissions.

While Obama supports cap-and-trade legislation, he recognizes the presence of bipartisan opposition in Congress, his press secretary told reporters. *Argus* noted that many electric industry stakeholders accordingly believe that the President is considering having the Environmental Protection Agency -- which is finalizing carbon dioxide emissions standards for new coal-fired power plants -- propose such standards for existing facilities.

"Congressional action is likely to remain stalled for some time," *Coal Weekly* indicated. "But Obama has other methods he could employ and executive action may well increase in his second term."

A sister publication, *Argus Coal Daily*, quoted a National Mining Association spokesman as saying that the President's State of the Union Address assertion that if lawmakers were unable to act on the matter soon, he would do so, was a "veiled threat" to have cabinet officials move on standards for existing plants.

An Edison Electric Institute executive was cited in the same article as saying that EPA was doing "due diligence" on the matter, with a proposal possible late this year or in 2014. But with comments and hearings factored in, he added, it could take much longer for rules to go into effect.

In the same address, Obama advocated increased electricity generation from renewable resources and greater energy efficiency, while staying silent on coal, *Argus* reported. But the GOP's response to the address, presented by Florida Sen. Marco Rubio, disparaged the climate references, saying that the government "cannot control the weather."

Duke Energy, meanwhile, cited the addition of more efficient coal- and gas-fired capacity in announcing that it expects to have more than half of the coal plant retirements planned by 2015 completed by the end of this year: 3,800-plus megawatts of a planned 6,800 MW.

An article in *Argus Coal Daily* quoted Duke CEO Jim Rogers as saying that with forecasts of low gas prices for the next decade or more, gas-fired combined cycle plants provide the "best capacity."

He added, however, that Duke has invested about \$7 billion in control equipment for existing coal-fired plants, and could spend an additional \$5- to \$6-billion during the next decade, to comply with existing environmental regulations on air, water and coal ash.

Rogers also voiced the belief that Congress, not EPA, is best equipped to put a price on carbon, *Argus* said, terming such a move "important to the future to drive even further our successes we have achieved as far."

Such a tax on carbon emissions "may not be on anyone's short list of legislation likely to emerge from the gridlocked Congress," according to the newspaper *POLITICO*. But that's not dampening the debate over the idea's merits, according to the publication.

*POLITICO* noted that the National Association of Manufacturers and the Brookings Institution presented very different conclusions in new reports on the matter.

NAM said that a carbon tax would cripple U.S. businesses while failing to accomplish its environmental goals, while Brookings hailed the idea as a way to boost federal revenues while driving down carbon emissions.

While the administration has downplayed the likelihood of a carbon tax, NAM CEO Jay Timmons said there is no shortage of bad ideas in Congress, "and this is one of them." He therefore termed it important to get the facts out about the impacts of such a tax, "so that the idea frankly does not see the light of day in Congress."

The Capitol Hill newspaper *Roll Call* also ran an article on manufacturers' opposition to a carbon tax, quoting Timmons and other industry leaders on the subject. The publication took note of the negative NAM-commissioned

report, performed by NERA Economic Consulting, and quoted Timmons as saying "the conversation should be over."

"The numbers in this report are actually quite scary," said another industry stakeholder, Ohio Manufacturers Association official Rob Brundrett.

Looking overseas, a bipartisan group of former U.S. members of Congress, civilian foreign policy officials and military leaders has called for action to address climate change in poor nations. The officials deemed it a national security threat that could possibly lead to mass migrations, civil conflicts and "a more unpredictable world."

"Washington must lead on this issue now," they added.

The group's members, organized by the Partnership for a Secure America, founded by former Rep. Lee Hamilton, D-Ind., and former Sen. Warren Rudman, R-N.H., aired their views in an open letter reported by *POLITICO*.

## Coal Issues

The National Mining Association has forecast that domestic markets for coal will recover from recent declines, but said that the pace will be uneven, according to *Argus Coal Daily*.

*Argus* quoted NMA President Hal Quinn as saying that the industry will be "adjusting, restructuring and realigning over the next several years." The association attributed its forecast to

new U.S. power projects, increasing export demand and natural gas price hikes.

The report said global demand will rise by 1.2 billion short tons -- 1.1 billion metric tonnes -- within five years, making coal the world's primary energy source, *Argus* reported. At home, it is expected that coal plant utilization will return to 2010's 72 percent by 2020, up from last year's estimated 57 percent, the newsletter said.

The U.S. will probably have 280 gigawatts of coal-fired capacity in five years after new facilities come on line and a potential 45 GW of older units has been retired, *Argus* quoted Quinn as saying.

A recent *Washington Post* column concerning the future of the nation's coal-fired power plants drew a pair of very different responses from readers. Criticizing columnist Eugene Robinson for "hav[ing] President Obama use executive power to shutter our nation's coal plants, with little regard to the impact on the economy -- or the environment," President and CEO Robert Duncan of the American Coalition for Clean Coal Electricity argued against "turning our back on coal and clean-coal technologies."

"Global energy demand is going to increase by 50 percent over the next 25 years, and that demand cannot be met without coal," Duncan added. "Those who value a clean environment and a strong economy should be looking for ways to use coal even more cleanly

instead of abandoning clean coal to other countries."

Reader Susan Stillman, a volunteer advocate for the Sierra Club, supported Robinson regarding the closure of coal-fired power plants, but took issue with "his claim that natural gas for power generation is a good idea."

Citing the need "to reduce carbon emissions and other greenhouse gas emissions sharply and soon," and the volatile nature of natural gas prices, she called for "building solar and wind generation while the natural gas is cheap, so that when the price again soars we'll have sufficient generation from endless free fuel -- the sun and the wind."

An editorial in *The Arizona Republic* said that the five-year life extension awarded by EPA to the Navajo Generating Station is a good news-bad news situation.

The good news is that it gives operators additional time -- 10 years in total -- to weigh their options, the newspaper said.

The bad news is that "There are no apparent options that do not kill jobs and significantly raise the cost of water in the arid Southwest, thus condemning still more jobs."

All this is in the name of "a marginal improvement in air quality over the Grand Canyon," the *Republic* added. Given this almost-imperceptible benefit, it said, a broader question is raised -- "what really drives the EPA to take an

action with such sweeping ramifications."

The newspaper said that the reason may actually be global climate change, an administration priority. Because the crisis facing the state is of federal making, it emphasized -- construction of a coal-fired plant was a federal choice in the mid-1960s, as an alternative to building hydroelectric dams in the Grand Canyon -- the federal government should pay for it.

## **International Trade Issues**

*Argus Coal Weekly* has spotlighted coal's positive contributions to U.S. export goals, pointing out that fossil fuels are playing "an increasingly important role" in helping reduce the nation's trade deficit.

Coal export volumes increased to a record 126.3 mm short tons -- 114.6 metric tonnes -- in 2012, up from 59.3 mm short tons in 2009, *Argus* said. Their value? \$15.1 billion last year, up from \$6 billion in 2009.

The newsletter indicated that coal producers are turning increasingly to the export market "because of declining domestic demand and the lucrative prospects offered by Europe most recently, and China and India over the longer term." The Transportation Department has gotten involved, beginning to develop a strategic plan to better coordinate efforts to ensure the movement of coal and other goods.

But there's a problem, *Coal Weekly* noted -- "Obama's own anti-coal policies are helping drive down domestic demand, while making coal more expensive to produce. These rising costs are hampering the industry's ability to compete on a global basis."

The administration needs to recognize the growth of global coal demand and its positive effect on the nation's trade balance, the newsletter underscored.

*Argus Coal Weekly* also has run a pair of News Features on export capacity enhancements, planned or under way, at California and Gulf Coast ports alike.

In California, the publication said, Asian demand for U.S. coal exports has reignited interest in the state's terminals for handling the fuel, spurring plans that could triple coal exports.

In all, *Argus* reported, more than 6 million short tons per year -- 4.5 million metric tonnes -- of additional capacity could be coming to a state that handled a little more than 1.5 million short tons in the first 11 months of 2012.

On the Gulf Coast, the publication said, ports from east Texas to the Mississippi Delta and Alabama have the potential to expand their export capacity to nearly 160 million metric tonnes annually, from the current capacity of 67.2 million metric tonnes per year.

The report noted that Gulf ports benefit from access to coal deposits across the eastern, central and western U.S., and can ship past Cape Horn or through the Panama Canal, where an expansion of

the channel may create opportunities for coal exporters.

*Argus* said that major producers such as Arch Coal and Alpha Natural Resources "are counting on boosting sales overseas, where thermal coal generation and steelmaking will keep expanding, to partially offset declining use of thermal coal in the U.S. as utilities switch to cheaper natural gas generation."

On the other hand, *Argus Coal Weekly* reported separately, U.S. steam coal imports have dropped from the peaks of five years ago amid a decline in coal-fired generation and healthy supplies of cheaper domestic fuels.

U.S. steam coal imports fell to 8 million short tons -- 7.3 million metric tonnes -- last year, the newsletter said, according to the Census Bureau, down from 11.6 million short tons in 2011 and 34.7 million short tons, a record, in 2007. Most of these imports currently head to Alabama and Florida, *Argus* reported.

Meanwhile, in Europe, the use of coal spiked last year following a long decline, *The Washington Post* reported. Reasons included "a surge of cheap U.S. coal on global markets and ... the unintended consequences of ambitious climate policies that capped emissions and reduced reliance on nuclear energy."

Exports of U.S. coal to Europe were up 26 percent in the first nine months of 2012 compared with the same period in 2011, while exports to China also have increased, the *Post* said.