COLOMBIA UNIVERSITY STUDY ON THE CHALLENGES OF THE U.S. COAL INDUSTRY AND LESSONS FOR EUROPE

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UNECE COMMISSIONED A STUDY OF THE U.S. COAL INDUSTRY

• Titled “The challenges of the U.S coal industry and lessons for Europe”, published in May 2016. Available on the UNECE GoE CMM webpage

• Focused on the economic and business drivers that have led to the decline of the coal industry in the U.S

• This study, for use by the GoE on CMM, was intended to provide UNECE member states information on the shifting market landscape

• Research team was directed to determine if CMM could have any role in preventing further erosion of the coal industry’s health
APPROACH TO UNDERSTANDING THE U.S. COAL INDUSTRY LANDSCAPE:

• Analyzed recent trends in US coal production examining the underlying factors—flat electricity demand, weak demand for US coal exports, falling natural gas prices, challenges in the regulatory environment

• Developed case studies of coal companies and highlighted trends of financial diversification away from coal, increasing operational efficiencies

• Studied the effects of coal mining company bankruptcies, the impact on the host communities and the impact on the economy

• Considered the lessons learned in the US and the applicability in the European context
TRENDS WERE REVEALED

- US coal production peaked in 2008 and declining since
- Electricity demand remained flattened since 2010
- Falling global steel demand and imposition of more stringent regulations lowered the market price of coal
- Declining costs have enabled gas and renewables to displace coal
- Coal companies borrowed huge amounts of capital to acquire additional coal assets, expecting robust coal market growth
- Confluence of these factors contributed to major coal company bankruptcies in the coal mining sector
EXISTING TRENDS VERSUS ALTERNATE FUEL PRODUCTION SCENARIOS
U.S. COAL PRODUCTION CHANGES BY REGION

Source: Short-Term Energy Outlook, October 2017
Coal's Collapse

U.S. has lost thousands of coal jobs in the past five years amid a price collapse

US Coal Mining Jobs

Source: U.S. Bureau of Labor Statistics

Bloomberg
U.S. COAL UPDATE 2017

- Open cast mines have opened in central Appalachia in early 2017, but underground mines have closed or been idled in the Illinois basin.

- Natural gas prices are moving upward slowly, but undrilled reserves are likely to keep prices relatively low.

- Many coal-fired power plants are scheduled for closure over the next several years.

- CMM projects have played no important role in delaying mine closures.
APPLICABILITY TO THE EUROPEAN SITUATION

- Shifts from coal to sustainable energy sources created growing energy sector that create new jobs while meeting European emissions targets
- In many cases, coal has become less significant to domestic energy generation
- Eastern European countries contend with energy security challenges and to some extent have loss energy independence
- Attention to most valuable coal assets in Europe is essential, but there needs to be streamlining and end to coal subsidies
- More diversified sources of imported natural gas have sources have driven the cost downward
THANK YOU!

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