

# 15<sup>th</sup> Annual Waterways Symposium – Coal Sector Update

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**Betsy Monseu, CEO**  
**November 15, 2018**





## **ACC VISION**

To advance the power, the promise, and the pride of America's coal industry

1982 | 2018

36 years of service

## **Mission –**

- Represent the collective interests of the American coal industry, from the hole-in-the-ground to the plug-in-the-wall.
- Provide educational programs, market information, advocacy support, and networking forums to advance coal supply, consumption, transportation, and trading.
- Serve as an essential resource for industry, policy makers, and public interest groups.

## **Membership – 140 companies**

- Coal Suppliers
- Coal Consumers
- Coal Transportation
- Energy Traders
- Coal Support Services
- Contributing Supporters

# TRUMP ADMINISTRATION DIGS COAL



***“...full potential can only be realized when government promotes energy development.....”***

Priorities that energy development supports:

- Energy independence and security
- Jobs and economic growth
- Infrastructure development
- Increasing exports

Actions to remove energy development barriers:

- Presidential Executive Orders
- Laws passed by Congress
- Regulatory reform
  - Environmental Protection Agency
  - Department of the Interior
  - Department of Energy

# COAL INDUSTRY PRIORITIES

## Policy

- Preserve existing U.S. coal power plants and value reliability/resilience attributes
- Increase coal exports
- Level the playing field between coal and renewable energy
- Advance and deploy coal technology
- Develop new uses/markets for coal

## Regulation

- Streamline permitting, coordinate reviews
- Reduce duplication and overlapping jurisdictions
- Decrease administrative burdens
- Remove loopholes that allow inappropriate measures of costs/benefits
- Assess the cumulative impacts of regulations



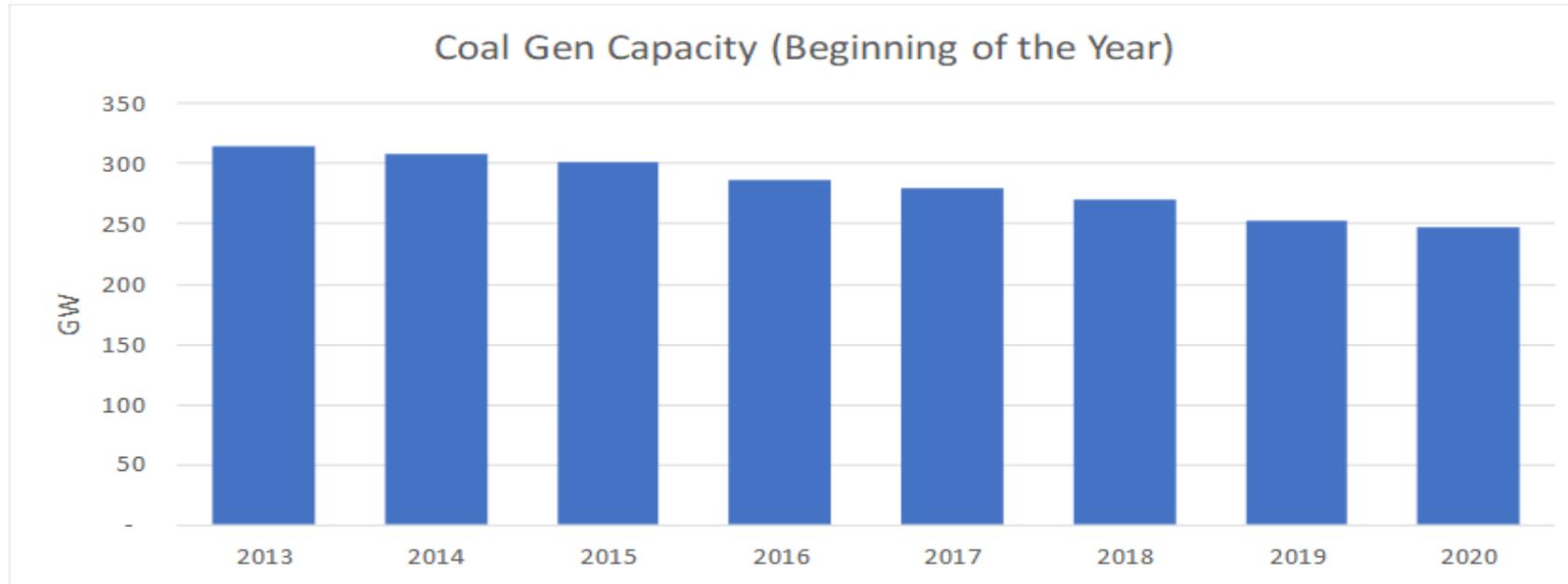
# HIGH LEVEL MARKETPLACE TRENDS

- Stronger U.S. and global economies
- Better balance in coal markets U.S. and worldwide
  - Producers have restructured and rationalized production
  - Access to capital is limited and expensive
- Rising U.S. coal exports, both thermal and metallurgical
- Low U.S. electricity demand growth
- Declining domestic power sector coal consumption
- Continuing natural gas and renewables competition for power market share
- Threat of new federal coal regulations has diminished, but past policies resulted in significant loss of coal demand made permanent due to power plant closures



Source: Internal, American Coalition for Clean Coal Electricity

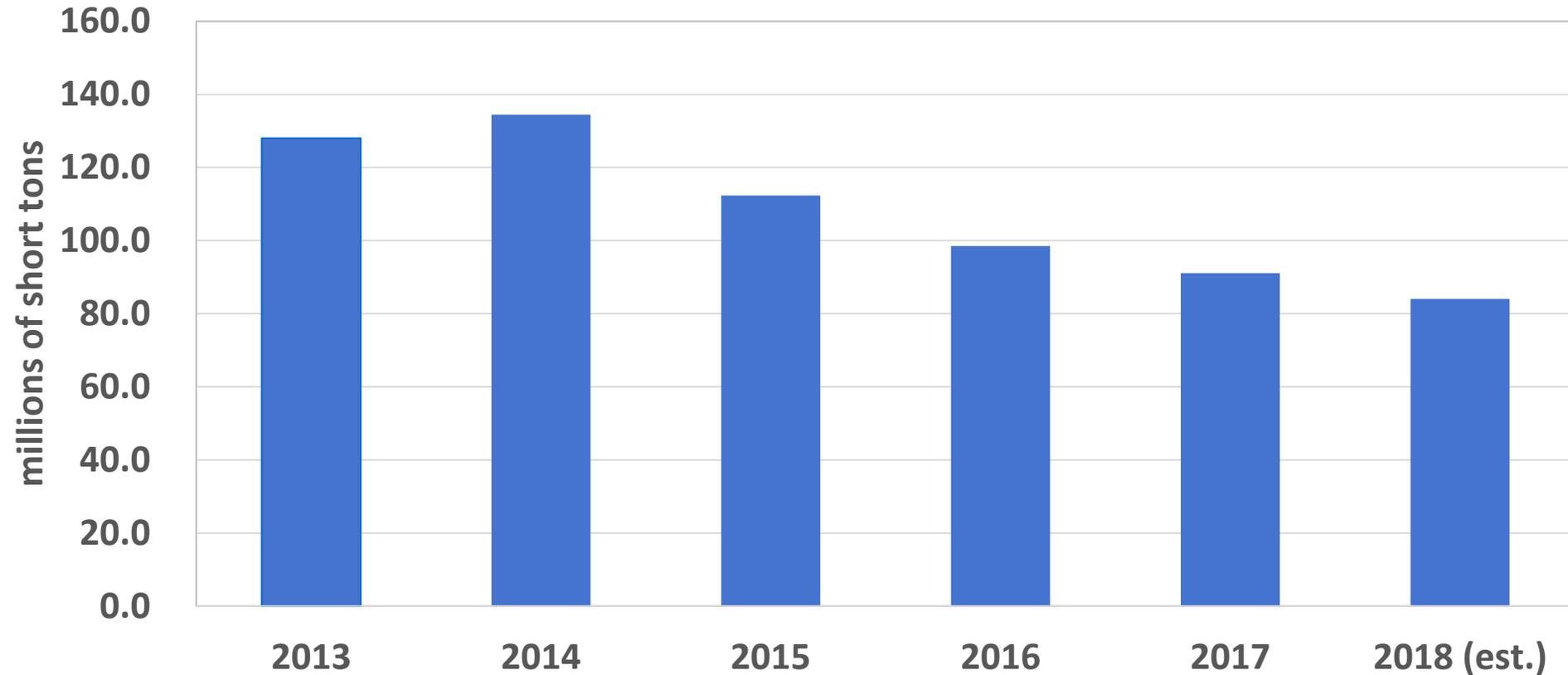
# U.S. COAL POWER PLANT RETIREMENTS AND IMPACTS



- About 40% of the 2010 U.S. power sector coal fleet has closed or announced closure
  - 637 generating units in 43 states
  - 2/3 of closures due to past EPA policies and regulations
- From 2013-2018, power sector coal consumption declined approximately 34%
  - 2013 – 858 mn tons
  - 2018 – 639 mn tons est.

Source: Doyle Trading Consultants, American Coalition for Clean Coal Electricity, EIA Short Term Energy Outlook November 2018

# COAL SHIPMENTS BY BARGE TO U.S. POWER PLANTS



From 2013-2018, barge coal shipments declined approximately 34%

- 2013 – 128 million tons
- 2018 – 84 million tons est.

Source: Hellerworx, Inc., River Transport News

# MARKET DYNAMICS – NEAR TERM

## Coal markets

- Power sector coal inventories have declined to lowest levels in several years
- U.S. coal exports will reach five year high in 2018, with continued positive outlook for 2019

## Natural gas markets

- Gas storage injection is below 5 year average going into winter
- EIA Henry Hub winter forecast average price is \$3.20/mmbtu, 8% higher than last winter



Source: Internal, Energy Information Administration Winter Fuels Outlook October 2018 and Short Term Energy Outlook November 2018

# U.S. COAL EXPORTS INCREASINGLY IMPORTANT

- 2018 exports increasing to 115-120 mn tons from 97 mn tons in 2017
- Exports are an important outlet for U.S. suppliers, given declining domestic demand
- As a percentage of U.S. coal production, exports will be historically high in 2018 – about 15%
- Transportation capacity and terminal/loading access is key
- East and Gulf Coasts have ramped up; West still limited
- West Coast continues to be challenged to add terminal capacity. Only one of six projects on drawing board six years ago still pursuing – Millennium Bulk Terminals



Source: Internal, Energy Information Administration Short Term Energy Outlook November 2018

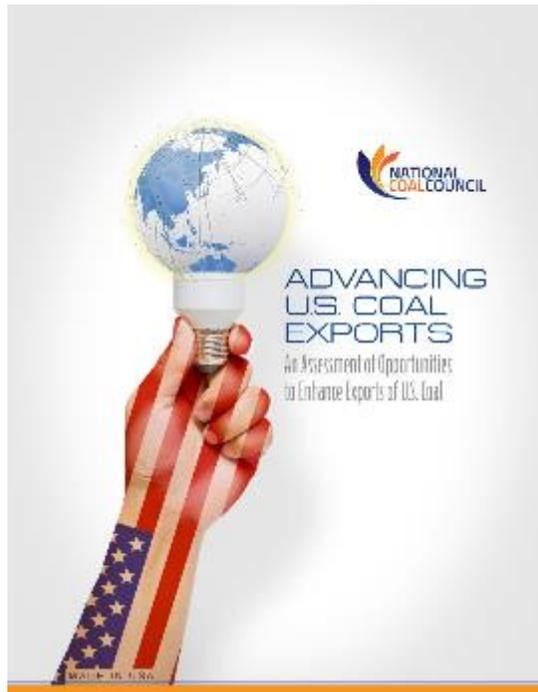
# U.S. COAL EXPORTS – POLICY SUPPORT

## “Advancing Coal Exports: An Assessment of Opportunities to Advance Exports of U.S. Coal”

National Coal Council Report to Energy Secretary Perry, October 2018

### Report Considered

- **U.S. Coal Export Landscape**
  - Export Regions
  - Transportation – Rail, Waterways, Ports
  - Prime Markets for U.S. Coal
- **Competitive Assessment**
  - Global Supply & Demand
  - U.S. vis-à-vis Other Suppliers
  - Policy Effects on Global Coal Trade
- **Barriers to U.S. Coal Exports**
  - Production/Supply
  - Institutional & Regulatory
  - Transportation & Shipping:  
**U.S. coal export economics would improve with channel deepening to accommodate larger bulk carrier vessels, improved dredging and maintenance of the inland waterways, and expansion of export port capacity on the U.S. West Coast**



Source: National Coal Council

# U.S. COAL EXPORTS – POLICY SUPPORT CONT.

**“Advancing Coal Exports: An Assessment of Opportunities to Advance Exports of U.S. Coal”**

**National Coal Council Report to Energy Secretary Perry, October 2018**



Source: National Coal Council

## **Recommendations: River Transport**

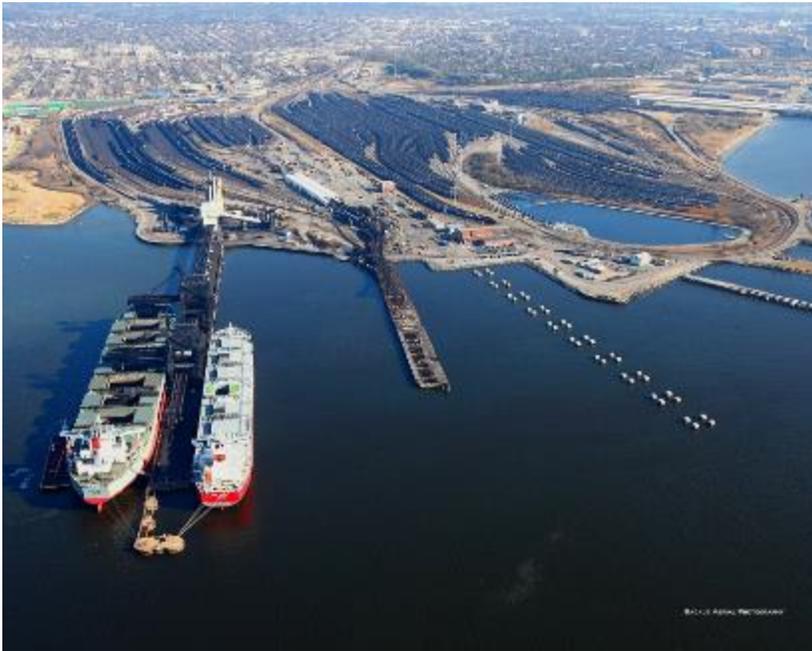
### **Streamline funding support for the nation's inland waterways system**

- Facilitates cost-effective flow of U.S. coal exports
- Supports regular maintenance and dredging of inland river channels
- Deploy funds from current excess balance of fees collected from the Harbor Maintenance Tax to maintain inland waterways locks and dams

# U.S. COAL EXPORTS – POLICY SUPPORT CONT.

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Source: National Coal Council

## Recommendations: Ports and Terminals

### Enhance coal export port/terminal capacity on U.S. Atlantic, Gulf & Pacific Coasts

- Dredge key export ports/shipping channels to accommodate larger vessels
- Improve planning and cooperation between state and Federal authorities on environmental reviews and permitting of export projects
- Assess potential to develop export terminal capacity on Federal properties
- Address bottlenecks and infrastructure upgrades at existing export terminals
- Advance NEPA reforms and related permitting processes

# U.S. COAL EXPORTS – POLICY SUPPORT CONT.

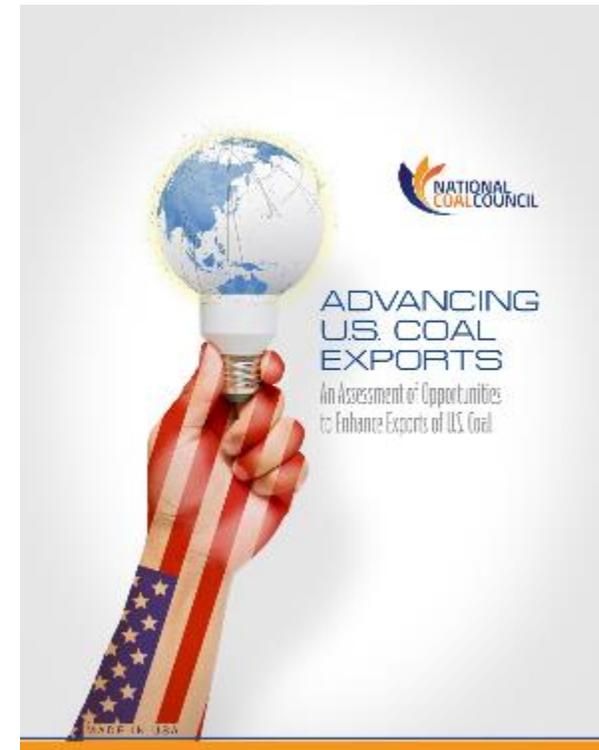
**“Advancing Coal Exports: An Assessment of Opportunities to Advance Exports of U.S. Coal”**

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## **For Implementation of NCC Recommendations:**

**Establish a DOE-led, government-wide COAL EXPORTS TASK FORCE to monitor and coordinate policy developments relevant to advancing U.S. coal exports.**

Include all agencies engaged in energy development & international relations



Source: National Coal Council

# TRUMP ADMINISTRATION COAL REFORM HIGHLIGHTS

- 2017 legislation revoked Interior Department's Stream Protection Rule
- 2017 Presidential Executive Order "Promoting Energy Independence and Economic Growth"
  - Directed Interior Department to lift a moratorium on new leases in the federal coal program
  - Directed EPA to review the power sector GHG/CO2 emissions rules including "Clean Power Plan"
  - Paris Climate Accord Withdrawal



## Coal Mining

- Lifted federal coal leasing moratorium
- Repealed royalty valuation rule that would have increased costs and deterred energy development
- Directed reexamination of Interior Department's climate change policies



## Coal Use

- Repealing Clean Power Plan and proposing to replace with the Affordable Clean Energy Rule
- New Source Review pre-construction permitting program reform
- Reviewing regulation for power plant wastewater streams, and extended compliance deadlines

# TRUMP ADMINISTRATION COAL REFORM HIGHLIGHTS CONT.



## **Department of Energy (DOE) Electric Grid Resilience Actions**

- September 2017 – Secretary Perry issued proposed rule to Federal Energy Regulatory Commission to value grid resilience attributes in electricity markets pricing
- June 2018 – President ordered Secretary Perry to take steps to prevent further closures of coal and nuclear power plants



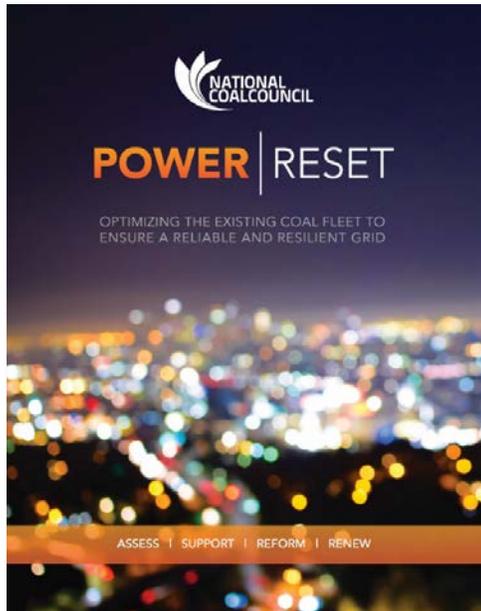
## **Federal Energy Regulatory Commission (FERC) Electric Grid Resilience Actions**

- October 2017 – FERC took comments on Secretary Perry’s proposal
- January 2018 – FERC terminated consideration of Perry proposal and initiated new proceeding on grid resilience with Regional Transmission Operators and Independent System Operators

# GRID RELIABILITY AND RESILIENCE – NATIONAL COAL COUNCIL

## “Power Reset: Optimizing the Existing Coal Fleet to Ensure a Reliable and Resilient Grid”

National Coal Council Report to Energy Secretary Perry, October 2018



### COAL FLEET ATTRIBUTES

- **Reliability/Resiliency** – a foundation of support for a stable, diversified energy portfolio
- **Dispatchability** – ability to dispatch power when needed, providing flexibility to meet demand fluctuations not met by intermittent renewable energy
- **Security** – supports national and economic security, through abundant domestic coal reserves and providing affordable, reliable electricity
- **Competitiveness** – Low cost electricity enhances U.S. competitiveness in international markets

### KEY FINDINGS

- Coal generation is likely to continue to decrease barring a proactive initiative to assess and compensate the existing fleet for its value
- Opportunities exist to streamline, re-evaluate, and amend regulatory/legislative measures to allow the fleet to operate more efficiently
- Wholesale electricity market reform is needed to equitably value resilience as well as reliability

Source: National Coal Council

# GRID RELIABILITY AND RESILIENCE – NATIONAL COAL COUNCIL CONT.

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A **reliable** system minimizes the likelihood of disruptive electricity outages

A **resilient** system has the ability to withstand and reduce the magnitude and/or duration of disruptive events, which includes the capability to anticipate, absorb, adapt to, and/or rapidly recover from such an event

Coal excels in:

- Fuel security/assurance
- Resource availability
- Price stability
- Dispatchability

### Reliable & Resilient Attributes

Qualitative Comparison of Grid Reliability and Resilience Attributes by Fuel Type

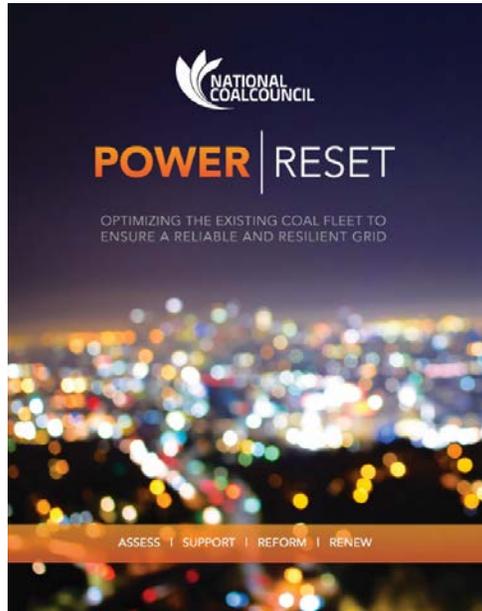
Attribute	Coal	Natural Gas	Wind/Solar	Nuclear	Demand Response
Dispatchability	✓	✓		✓	
Inertia	✓	✓	✓(wind)	✓	
Frequency Response	✓	✓	✓ <sup>3</sup>		
Contingency Reserves	✓	✓			✓
Reactive Power	✓	✓		✓	
Ramp Capability	✓	✓			✓
Black Start		✓			
Resource Availability	✓	✓		✓	
On-Site Fuel Supply	✓			✓	✓
Reduced Exposure to Single Point of Disruption	✓		✓	✓	✓
Price Stability	✓		✓	✓	✓

Source: National Coal Council

# GRID RELIABILITY AND RESILIENCE – NATIONAL COAL COUNCIL CONT.

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### ACTIONS TO RETAIN AND OPTIMIZE THE COAL FLEET

- **Support**
  - Economic and regulatory incentives to stem plant retirements
  - Establish an environment that values and compensates diversity
  - Support mechanisms to immediately compensate coal fleet for its essential services
- **Reform**
  - **Policy** - New Source Review, PURPA, EPA regulations
  - **Market** - FERC on price formation, capacity markets, standards for essential reliability services
  - **Legislative** - temporary tax credit to cover a portion of plant O&M expenses
- **Renew** investment in coal generation – upstream and downstream technologies to enhance the efficiency and cost competitiveness of the fleet

Source: National Coal Council

# WHAT TO WATCH

- DOE action to support retention of coal and nuclear resources
- FERC's pending dockets on grid resilience and reform of capacity markets in PJM and ISO-NE wholesale electricity markets
- Senate confirmation of nominee Bernard McNamee to FERC
- House congressional oversight of Trump administration's energy and environmental objectives and slowing the regulatory reforms
- U.S. and global economic conditions, and the pace of U.S. domestic and export coal demand





[www.americancoalcouncil.org](http://www.americancoalcouncil.org)

**Thank you!**

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