



The U.S. Coal Industry: Shrinking But Not Dying

by Taylor Gunn

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Key Points:

- *In five short years, the U.S. coal mining industry has gone from boom to bust, with market conditions likely to go from bad to worse in the next few years.*
- *As a result of the coal industry's severe contraction, many of the smaller companies will likely be wiped out, whereas the largest coal mining companies should emerge from bankruptcy being much more competitive both domestically and globally.*
- *Scale becomes an increasingly important attribute as the U.S. coal industry down-sizes. The ability to respond to declining demand without shutting down is what will separate the winners and the losers.*
- *However, those U.S. coal mining companies that do emerge from bankruptcy will face an inhospitable marketplace consisting of a persistent trend of slow growth in domestic electricity demand coupled with environmental policies aimed at shrinking the nation's footprint of coal-fired power plants.*
- *The U.S. power industry drives the domestic coal industry, accounting for about 95 percent of total consumption. Unfortunately, the power industry's coal requirements are shrinking.*
- *The schedule of coal-fired retirements is a moving target largely dependent on natural gas prices, penetration rates of renewable energy, and environmental policies. From 2015-20, U.S. consumption of thermal coal could fall from 740 million tons to below 600 million tons.*
- *Global markets are unlikely to absorb those surplus tons of both metallurgical and thermal coal from the U.S. After peaking in 2012 at 125 million tons, coal exports are likely to remain below 65 million tons in 2020.*
- *Companies that operate highly efficient coal mines in Wyoming's Powder River Basin will continue to hold an advantage over their counterparts that operate in other basins such as the Illinois and Appalachian basins.*