

Agency: Long-term outlook remains positive

## Wyoming coal production still slipping

By DUSTIN BLEIZEFFER - Star-Tribune energy reporter | Posted: Friday, June 18, 2010

Coal production in Wyoming continues to slip after reaching an all-time annual high of more than 467 million tons in 2008, according to data collected by the U.S. Energy Information Administration.

The slide was dramatic in 2009 -- down 8.5 percent to 427.4 million tons for the year. As of June 5, Wyoming mines extracted an estimated 180.22 million tons for the year, down 2.8 percent compared to the same period last year, according to the EIA.

"I don't think it's unexpected," said Janet Gellici, CEO of the American Coal Council.

Gellici said the slow economic recovery has kept demand low, and the coal industry still suffers from a recent shift toward natural gas by electric utilities.

Nationwide annual coal production hit a high of 1.171 billion tons in 2008, but dropped to 1.072 billion in 2009. For the first four months this year, nationwide production was off by more than 11 million tons, or a full 3 percent, compared to the first four months of 2009, according to the EIA.

Gellici noted that the EIA's long-term outlook includes a steady increase for coal production west of the Mississippi through 2035, based on a forecast for increasing energy demand and a steady price for coal.

"There's a consistency, historically. Coal prices have been flat," Gellici said.

Spot prices for Powder River Basin coal are about \$10 per ton, while short-term contract prices are around \$12 per ton, according to trade publications.

"There's been production discipline among producers recognizing it doesn't make sense to mine coal if it's not economically viable," Gellici said. "There's been increased regulation that's increased the cost to mine coal."

Despite the continued production decline in Wyoming, it's unclear where production will end up by the end of the year. For example, Wyoming's two largest mines both reported first-quarter production totals larger than the year before.

Peabody's North Antelope Rochelle mine in the southern Powder River Basin extracted 26.1 million tons during the first quarter this year -- more than any quarter in 2009, according to data collected by the Mine Safety and Health Administration.

Arch Coal's Black Thunder mine reported 27.5 million tons for the first quarter this year, compared to its highest quarterly production of 25.9 million tons 2009, according to MSHA data.

Yet local officials don't expect any surprises this year in terms of production.

"At this point I don't see us turning around and seeing an increase in production," said Marion Loomis, executive director of the Wyoming Mining Association.

Hundreds of mining officials and industry contractors are gathered this week at Jackson Lake Lodge for the Wyoming Mining Association's annual convention.

Loomis said the primary concern for the mining industry in Wyoming right now is what seems to be a growing regulatory burden. The Environmental Protection Agency is stepping up standards for mercury, ozone and sulfur dioxide emissions.

East of the Mississippi River, coal utilities are under fire for coal ash waste storage and the mining industry is under fire for mountaintop removal mining. Arch Coal spokesman Greg Schaefer said that in Wyoming, the state Department of Environmental Quality continues to do a good job of enforcing environmental regulations without getting in the way of operations.

But he said the process for leasing coal in the Powder River Basin may become more drawn out.

"It's the regulatory environment that keeps me up at night," Schaefer said.

There 21 active coal mines in 2009 directly employing about 6,976 workers in Wyoming, according to MSHA data.

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By the numbers

- \* Wyoming mines accounted for 39.5 percent of the nation's coal supply in 2009.
- \* An average 70 to 80 trains move coal out of Wyoming's Powder River Basin each day.
- \* The coal industry contributed an estimated \$852 million to local and state governments in Wyoming in 2007.