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Region's coal industry faces huge drop, report says

By Ken Ward Jr.

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Editorial: Coal down, gas up

CHARLESTON, W.Va. -- Coal production in Southern West Virginia and the rest of central Appalachia will continue to plummet over the next 30 years, according to a new report that examines multiple stresses that are pressuring the region's mining industry.

The report, from the Morgantown-based environmental consulting firm Downstream Strategies, says current government estimates project production to drop by 53 percent between 2011 and 2040.

Downstream Strategies cites a familiar list of factors driving the decline: the mining out of the best and easiest-to-reach coal reserves, historically low natural gas prices, competition from other coal basins, and a series of federal rules aimed at reducing coal's environmental impacts.

In an interesting twist, the report says mining jobs and industry tax revenues may not follow the exact pattern as production.

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More underground mining and a decline in coal industry labor productivity "may dampen the employment impact of the decline in production." These trends "may even result in an increase in coal-mining jobs," the report says.

But the report warns that the expected impacts -- whether in jobs losses or gains -- will not "be spread evenly" across all coalfield communities.

"Some coal-producing counties may experience significant declines in both jobs and revenues, while other counties may experience increases," the report says. "The resulting expectation is that the benefits of coal production may become more concentrated in fewer counties."

And, the report cautioned, "The possibility of increasing coal jobs with decreasing coal production should not prevent policymakers from laying the foundation for new economic opportunities in the communities most vulnerable to declines in coal production."

Bill Raney, president of the West Virginia Coal Association, said he could not really quibble with the report's basic outline of the state of the central Appalachian coal market, but wants to focus on keeping coal strong.

"I don't think I would argue at all about the challenges we have to maintain production levels," Raney said. "Our people are going to do everything possible to stay in the market. I hope we do have improved employment and I hope we do stay in the market."

Others who are closely following the coal industry in the region emphasized that the report's findings offer a renewed chance for Appalachian policymakers to focus not just on protecting coal, but diversifying the economy in coalfield communities.

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"It is well past time for the state's leaders to focus on the underlying trends and drivers of coal production in formulating long-term economic policy," said Jeremy Richardson, a West Virginia native from a coal mining family who is studying the issue for the Union of Concerned Scientists.

James VanNostrand, director of the Center for Energy and Sustained Development at the West Virginia University College of Law, said the new report "underscores the need for the state to engage in some serious discussions about a state energy policy and, more

broadly, an economic policy that takes into account the forecasted declines in coal production in Southern West Virginia."

The 140-page Downstream Strategies report focuses on the coal industry in central Appalachia, a region that includes Southern West Virginia, eastern Kentucky, Virginia and Tennessee. It is an

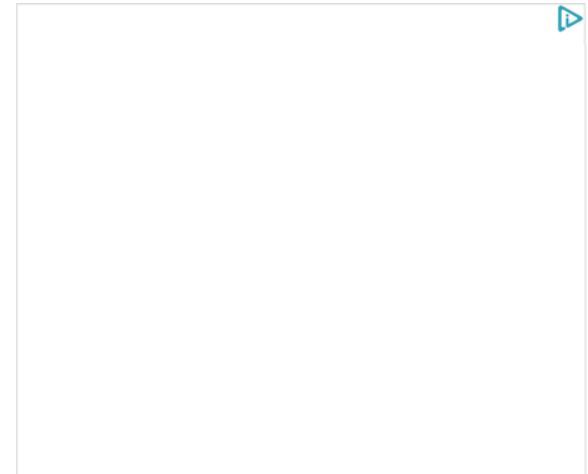
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expanded follow-up analysis to a major report Downstream Strategies produced in January 2010 as part of its ongoing effort to link environmental and economic development concerns in the region.

"Since we released our 2010 report, the decline of the region's coal industry has been publicly acknowledged by both industry leaders and state policymakers," said Downstream Strategies President Evan Hansen. "Our new report illustrates how the industry's many challenges will likely lead to even lower production levels in the future."

Using a variety of data and dozens of charts and graphs, the new report traces the rise and fall of central Appalachian coal through two major shifts -- from 1985 to 1990 and again from 1993 to 1997 -- where coal production significantly increased, while mining jobs took a major plunge. Direct coal employment dropped from 70,000 miners in 1985 to 35,600 in 1997, while production peaked.

"This was the result of sharp improvements in labor productivity, which reflected a shift toward greater mechanization of the mining process, both for surface and underground mines," the report says. "At the same time, production was shifting toward surface mining, which requires less labor to produce each ton of coal than underground mining."

But since 1997, production has dropped, by 44 percent in eastern Kentucky and 37 percent in Southern West Virginia. And the most recent U.S. Energy Information Administration estimates project regional production will drop by 98 million tons between 2011 and 2040, with most of that decline coming by 2020.

Downstream Strategies discusses the impact of competition from natural gas and from other coal regions, and acknowledges that "some degree of impact is inevitable" from federal government regulatory moves. But it notes, "Numerous studies suggest that the strongest underlying influence on the overall declining trend in demand and production has been the exhaustion of the thickest, most accessible coal seams."

In West Virginia, industry and political leaders have focused their attention on fighting Obama administration regulatory efforts, blaming the industry's troubles on a U.S. Environmental Protection Agency "war on coal." As a result, the report notes, "more comprehensive policies to

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build the foundation for new economic alternatives in coal-producing counties appear to be absent."



Ted Boettner, executive director of the West Virginia Center for Budget and Policy, said the new Downstream Strategies report shows why the political climate around coal's future needs to change.

"As more people come to grips with the fact that coal is declining in the region and will not return to historic levels, it could present a tremendous opportunity to rethink our past and plan for the future," Boettner said. "It is going to take vision, strategies and leadership at the local and state level to ensure that the state has a soft landing instead of hard one. I think West Virginians are up for the challenge, but first we need to recognize the problem."

Reach Ken Ward Jr. at kw...@wvgazette.com or 304-348-1702.