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12 WV county economies vulnerable to power plant retirements

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The coal-mining economies of five counties in southern West Virginia are moderately vulnerable to market and regulatory influences and to future declines in demand, according to a new report by a Morgantown consulting firm.

The report by Downstream Strategies lists Boone, Kanawha, Lincoln, Nicholas and Mingo as particularly vulnerable to changes in the power industry, with Clay, Fayette, Greenbrier, McDowell, Raleigh, Wayne and Wyoming being listed as marginally vulnerable and Logan and Mercer as not immediately vulnerable.

The Central Appalachian counties most vulnerable to change in the industry were Pike, Knott and Letcher in Kentucky and Wise in Virginia.

The report, which was released Monday, is an update of a similar report Downstream Strategies issued in 2010. It examined the state of the industry in 14 counties in West Virginia, 18 in Kentucky, six in Virginia and three in Tennessee.

"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," Evan Hansen, president of Downstream Strategies, said in a statement accompanying the release of the report.

"Our new report illustrates how the industry's many challenges will likely lead to even lower production levels in the future."

The report analyzes market trends impacting Central Appalachian coal demand, including the national economy; regional coal prices and labor productivity; competition in electricity markets from other coal basins, natural gas, and renewable energy; demand among other domestic coal markets, including the manufacturing and industrial sectors; and foreign markets for Central Appalachian coal.

"Numerous factors influence demand for Central Appalachian coal, each of which has had—and will continue to have—a significant impact on the local economies where the coal is mined," said Rory McIlmoil, the lead author of the report. "In 2010, we recommended that state and local leaders take immediate steps to help diversify coalfield economies. To a large extent, that has not happened. However, it is vital that public officials begin making the political and financial investments necessary to build the foundation for new economic development opportunities in coal-producing counties."

The 140-page report detailed 13 principal findings:

- Central Appalachian coal production has declined significantly in recent years and will continue to decline.
- Underground mining has declined substantially, and surface and underground mining now produce approximately the same amount of Central Appalachian coal.
- Labor productivity has declined virtually every year since 2000.
- Employment and tax trends will not necessarily follow production trends.
- Met coal exports have had a substantial impact on regional coal demand.
- Coal-fired power plants are the most important purchasers of Central Appalachian coal.
- Average mine prices and transportation costs for Central Appalachian coal are the highest among the four major coal basins.
- Demand for Central Appalachian coal by the electricity sector "dropped precipitously" from 2006 to 2011.
- A number of new federal regulations have been proposed or implemented recently that will likely have a general impact on demand for coal as a source of fuel for electricity generation, or on the mining of coal.
- Central Appalachian coal production is already being impacted by coal plant retirements and fuel switching.
- The region will be impacted significantly as plants that burn Central Appalachian coal retire.
- The Central Appalachian basin is also vulnerable to plants that have installed emission controls or that can switch to burning natural gas.
- Central Appalachian counties are vulnerable to different degrees.

According to the report, about 43.89 million tons of coal produced in southern West Virginia was used in power plants in 2011. In Kentucky, the amount was 49.65 million tons; 8.9 million in Virginia and 1.07 million in Tennessee.