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Report: Declines in Central Appalachian Coal Production, Demand Will Continue

By [ERICA PETERSON](#) (/PEOPLE/ERICA-PETERSON)

A [new report](http://www.scribd.com/doc/141389769) (<http://www.scribd.com/doc/141389769>)

[/TheContinuingDeclineInDemandForCAPPCoal-FINAL-5-14-2013](#)) takes a comprehensive look at the numerous factors behind the decline in Central Appalachian coal production, and predicts that more production declines are in the future.

The report was released today by [Downstream Strategies](#) (<http://downstreamstrategies.com/>), a West Virginia-based environmental



<http://media.publicbroadcasting.net/p/wfpl/files/201208/coalbarge.jpg>

Credit Harry Schaefer / U.S. National Archives and Records Administration

consulting company. Lead author Rory McIlmoil says over the past few years, the most commonly-cited reasons for problems in the coal industry have been regulatory challenges and declining coal reserves. And while those play a major role, there are other factors, too.

“What we were trying to do was provide a more comprehensive analysis of the full suite of challenges facing the region,” McIlmoil said. “There’s a lot of uncertainty surrounding what those market trends will look like in the future and how they’ll impact Central Appalachian coal.”

The report looked at a 12 state region that accounts for 95 percent of the demand for Central Appalachian coal (which comes from Eastern Kentucky, Southern West Virginia, Virginia and Tennessee). Power plants in those states have already started moving toward natural gas; according to the report, 30 of the 137 power plants that got coal from this region are scheduled to retire by 2016.

Central Appalachian coal is also the most expensive coal in the United States. This means as the power plants which historically bought the coal retire, power plants from farther away aren’t likely to pay increased transportation costs to buy more expensive Appalachian coal. The increase of scrubber technology is also a factor; because most power plants have installed scrubbers, they can buy cheaper high-sulfur coal from the Illinois Basin.

And according to the report, coal exports probably won’t be a viable option, at least for Eastern Kentucky. Nearly all of the exports so far have been metallurgical, or met, coal. There are relatively small met coal reserves in Kentucky; the state exported 5.1 million tons in 2011, while West Virginia exported 29.3 million tons.

In light of the vulnerability of the CAPP (Central Appalachian) steam coal market, met coal has become increasingly important in recent years. Foreign exports of CAPP met coal increased by approximately 16.3 million tons since 2008, and met coal accounts for virtually all CAPP coal exports. Without met coal exports, the decline in CAPP coal production would be considerably greater than that already experienced.

The report takes a more in-depth look at Pike County, Kentucky. The county—along with Knott, Letcher and Wise County, Virginia—was classified as “highly

vulnerable."

In Pike County, the report found that in 2001, 12 mines accounted for half of that year's production. Ten years later, seven of those mines had closed. Though others opened up, they were smaller and didn't produce as much coal.

While less coal was coming out of Pike County, there was also less demand for the coal. According to the report, in 2001, the county produced 20 million tons of coal, but by 2011, there was only demand for 12 million tons. A lot of the reduced demand is due to reductions at three power plants—one in Florida, one in Georgia and one in North Carolina—that bought coal from the county. The plants all still burn coal, but they burn slightly less coal and get a smaller percentage from Pike County.

The authors end the report with a call to policymakers to begin working in Pike County on economic diversification, as well as the other highly and moderately vulnerable counties.

Counties in CAPP states are vulnerable to different degrees to declines in production and labor productivity and to shipments to coal-fired power plants that will retire soon or that have emissions controls or fuelswitching capability. Four counties are classified as highly vulnerable: Knott, Letcher, and Pike counties in eastern Kentucky and Wise County in Virginia. An additional ten are classified as moderately vulnerable: Bell, Harlan, and Martin counties in Kentucky; Claiborne County, Tennessee; Lee County, Virginia; and Boone, Kanawha, Lincoln, Mingo, and Nicholas counties in West Virginia...These conclusions are vital for both state and local officials in determining where development efforts and financial resources should be focused. Indeed, comprehensive, focused policies and investments will be needed in order to build the foundation for new economic alternatives in coal-producing counties—especially those in which coal-related jobs will decline.

[To read the full report, click here.](http://www.scribd.com/doc/141389769) (<http://www.scribd.com/doc/141389769>)

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