

# West Virginia Coal: 2024

## Introduction:

Despite growing pressures to transition away from coal usage and coal-fired electric generation, West Virginia's coal industry continues to invest its operations in the Mountain State with plans to be a major part of the state's economy and domestic and international commerce for decades to come.

With 2023 preliminary production totaling 88 million tons of the highest quality thermal and metallurgical coal, West Virginia is solidifying its identity as the nation's epicenter for baseload power generation and critical feedstock for world steel making and infrastructure build out.

West Virginia has the most diverse and balanced coal portfolios found anywhere in the world. West Virginia coal continues to strengthen its strong presence in domestic and export markets by shipping valuable coal supplies to practically every state east of the Mississippi River and to 40 foreign countries. West Virginia coal is the highest quality, known for clean coal combustion processes and high-grade steel manufacturing. All told, West Virginia coal represents 57,000 West Virginia jobs and \$14 Billion in annual economic benefit to the state.

West Virginia is a coal "export powerhouse" as we lead the nation accounting for nearly half of all US coal exports. It is also the state's fastest growing export product accounting for nearly 50% of all exported goods and commodities from the Mountain State.

West Virginia's contribution to domestic manufacturing is superior with over 70% of all coking coal used in domestic steel production coming from the Mountain State which has a major bearing on steel related jobs and commerce. According to Dr. John Deskins who heads up West Virginia University Bureau of Economic and Business Research, West Virginia metallurgical coal used in domestic steelmaking accounts for \$200 Billion and 547,000 jobs nationally.

It's a unique time for coal and energy as challenges intensify and opportunities abound. On one hand, world coal production and usage are increasing while President Biden and climate activists double down to eliminate coal from our nation's energy mix and the attendant 181,000 American jobs and \$261 Billion in annual revenues that go with it.

West Virginia's coal exports are on the rise, but domestic coal consumption, especially for electric generation, is increasingly at risk. As more and more coal power plant closures are announced around the country, baseload generation (that only coal provides) becomes even more critical to ensure a resilient and stable grid and the uninterrupted flow of household and industrial power.

No other power source or base fuel can fill the void of today's forecast losses of coal generation. Highly subsidized, renewable (intermittent) energy sources do not provide equivalent

power output. *On average, it takes seven times renewable power to equate to one unit of coal-based power.*

Moreover, regional grid operators (PJM, MISO) and federal regulatory agencies (NERC and FERC) have recently issued multiple warnings over reliability and resource adequacy, detailing how grid stability and the delivery of electricity are compromised. In a December 2023, national electricity reliability assessment, NERC warned that 54% of the country is at risk for electricity service disruptions. Two ISO / RTO territories (SERC and MISO), serving 136 million people in 21 states were identified as “high risk areas” due to the anticipated retirement of coal fired power plants and lack of adequate generation replacement. West Virginia ships “coal-by-wire” to neighboring states of KY, OH, MD, PA, VA.

As world coal use grows to record levels and with West Virginia coal well-established in international markets, the opportunity to increase market share throughout the world is an important niche as coal use increases in developing nations and global markets move away from Russian sources of energy. West Virginia coal is also exported to end users throughout Europe, Central America and developing countries around the Pacific rim. Historically, metallurgical coal has dominated West Virginia’s export business, but thermal coals have made notable gains in recent years.

Pressures on the supply side of the industry continue to impede the industry’s ability to fully respond to domestic and global market opportunities. The cumulative effect of manpower and equipment shortages, rail service disruptions and transportation disruptions and the lingering effects of ESG pressures affects the ability of the industry to meet additional market demand.

Despite anti-coal policies from the White House and EPA, development of our coal reserves will continue to be part of our state’s economy and energy future. The industry has recently invested over \$12 Billion in new or expanded operations to provide for the next generation of coal production and recent actions of the West Virginia Public Service Commission and upgrades to our 9 in state fined-tuned coal plants will ensure they continue to run for decades providing West Virginia with energy independence and reliable power.

With a world energy crisis underway and united interest in fuel security that only coal provides, the state of West Virginia and West Virginia’s coal industry has a natural advantage to succeed — West Virginia Coal!

The legislation proposed on the following pages will enable West Virginia to capitalize on current market opportunities and generate wealth for the state and its residents for decades to come.

### **West Virginia Coal Facts:**

Last year West Virginia produced 88 million tons of coal which is 5% over 2022.

West Virginia mines two general types of bituminous coal — thermal or steam coal for baseload electricity production and metallurgical or coking coal to produce iron and steel.

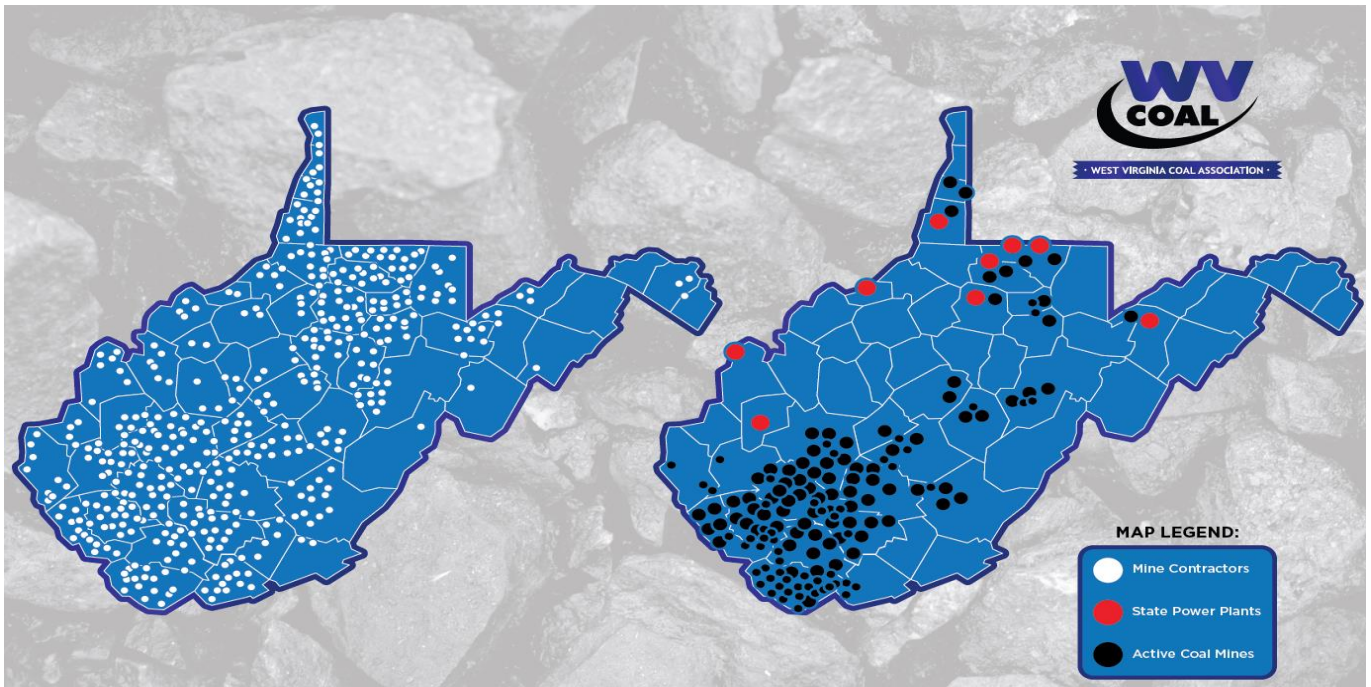
Of the 88 million tons of production, approximately 60% (52 million tons) is thermal coal and 40% (35.5 million tons) or is metallurgical coal. About 23% of our thermal production is used here in West Virginia to make some of the most affordable electric power in the country. The remaining domestic thermal coal tonnage is delivered throughout a 15-state region to coal power plants and industrial users. Another 8 million tons (10% of total state coal production) of thermal coal is exported internationally to countries in Europe, South American and Asia. 14% (12 million tons) of West Virginia's coal production is metallurgical coal that is shipped to every blast furnace, coke oven and steel making facility in North America (West Virginia is the single largest supplier of met coal to the domestic steel industry, accounting for about 70% of all coal used to make steel in the United States). Another 25 million tons (or 29% of the state's total coal production) is export metallurgical coal shipped to steelmakers around the globe.

West Virginia is the:

- Largest underground mining state.
- Second largest coal producing state.
- Largest producer of metallurgical coal in the nation.
- Largest supplier of metallurgical coal to the U.S. iron and steel industry.
- Leading coal export state accounting for over 40% of nations total coal exports & ½ of the state's total export product.

West Virginia coal is shipped to electric plants, industrial facilities and steel making operations in 30 states and 40 foreign destinations. West Virginia currently has 130 operating coal mines. The majority, or 80%, are underground operations and 20% (55) are surface mines.

West Virginia mining companies employs 13,000 miners and other 43,000 individuals work at the 833 companies that are registered with the West Virginia Offices of Miners' Health, Safety & Training as registered contractors at mining operations in various occupations ranging from mine maintenance, reclamation, equipment repairs, machine shops etc.



The coal industry represents an incredible number of jobs, taxes and economic activity for the state. Coal severance collections are at record highs and are distributed to all 55 counties to fund important education and government services throughout.

John Deskins, WVU economist, assessed the total value of West Virginia coal industry at \$14 billion or one out of every 6 dollars generated within the state.

West Virginia coal represents major employers that have invested hundreds of millions of dollars in our state and in our people. They're responsible for billions of dollars in working capital, wages, and taxes. These dollars are recirculated throughout our state in a variety of ways on the retail level. Coal severance dollars provide a steady stream of revenue for all 55 counties to support necessary funding for education and important local programs.

Type of Impact	Direct	Indirect and Induced	Total
Output (\$, billions)	9.4	4.5	13.9
Employment (thousand jobs)	15.4	17.9	33.3
Employee Compensation (\$, billions)	1.8	1.1	2.8
State & Local Tax Revenue (\$, millions)	--	--	611.3

Notes: Output, Employee Compensation, and Taxes are measured in 2019 dollars. Tax impact includes severance, sales, personal income, property, and corporation net income taxes.

## Today's Opportunities

### Exports:

West Virginia coal has always been a major exporter of coal. (Due to coal quality and proximity to international ports). Today, we ship coal throughout the world to 40 foreign destinations.

Coal is the state's fastest growing export, totaling \$2.7 Billion and accounting for 43.5% of WV's total export product. Coal exports grew by 37% in 2022. West Virginia is our nation's leading export state accounting for over 50% of U.S. coal exports.

The Ukraine crisis and has created a solid opportunity for West Virginia coal. The European Union which currently imports 45 million tons of Russian coal is looking towards for friendly countries for coal supplies. West Virginia coal has always been a part of Europe's energy mix where their furnaces and boilers accommodate our coals very well.

We continue to increase market share and coal exports throughout Europe, where Russia is relied upon to deliver 60% of its thermal coal for electric generation and 30% met coal for European steel makers.

It is unrealistic to think we can replace every single ton of Russian coal into Europe, but we believe we can account for 20% or more of that amount or 10 million additional tons. Economically, 10 million tons of coal today would equate to a 12.5% increase over current tonnage, an additional 1,700 miners, 4,500 support positions and \$1.75 Billion in total economic activity for our state!

### Domestic Markets:

On the home front in West Virginia, our 9 in state coal fired power plants represent a 28 million ton annual market for coal. It is mined here with state labor, and it is consumed here within our borders. It's a great "closed loop" system that ensures the reliable delivery of baseload power supplies for household and industrial applications that works extremely well! The infrastructure is in place and these plants are designed to run efficiently for another 25 to 40 years.

Thermal coal from West Virginia is shipped to 55 power plants around the country. This is a very important market for West Virginia coal amounting to approximately 21 million tons of West Virginia coal production. There's more to be done to protect our out-of-state thermal coal market. Importantly, legislation passed last year was designed to help protect and preserve this important state commerce

West Virginia metallurgical coal is heavily relied on by domestic steel makers to the tune of 70% of all coking coal comes from West Virginia. The states of Pennsylvania and Alabama provide formidable competition for these markets and have no severance coal leveled on their coal production. When

the federal Infrastructure Legislation becomes fully implemented, it should provide a boost to our domestic steel and power industries.

## **Conclusion:**

The coal industry is equipped to continue to be a major player in state commerce and energy production. The remaining mining companies in business today represent the best of class energy companies with major investment in West Virginia and have learned how to survive during today's challenges and pressures to curb coal production. Their mining operations are world class, safe and productive.

Our miners and contractors are exceptionally qualified and competent. All told, 57,000 West Virginians show up at coal mine everyday as part of this industry.

COAL is still the best deal in Town. We believe that coal and coal-fired electricity provides security and advantages to our grid and delivery system that no other power source can provide. We also know, given the enormity of power consumed today, the volume cannot be replaced with alternatives.

We should not be trading one energy job for another, and we should never advocate displacing a single worker here in WV.

Coal remains one of our state's bedrock industries. It is an honorable profession. Great opportunity to be big part of WV's energy future.

## **WVCA 2024 Legislative Proposals:**

1. Production and Infrastructure Tax Credit: To provide a credit against severance taxes up to 50% of the cost of qualifying production equipment or approved roads or infrastructure project. The House passed this legislation (HB 3133) during the 2023 Regular Legislative Session, but it died in Senate Finance.  
[http://www.wvlegislature.gov/Bill\\_Text\\_HTML/2023\\_SESSIONS/RS/bills/hb3133%20sub%20eng.pdf](http://www.wvlegislature.gov/Bill_Text_HTML/2023_SESSIONS/RS/bills/hb3133%20sub%20eng.pdf)([http://www.wvlegislature.gov/Bill\\_Text\\_HTML/2023\\_SESSIONS/RS/bills/hb3133%20sub%20eng.pdf](http://www.wvlegislature.gov/Bill_Text_HTML/2023_SESSIONS/RS/bills/hb3133%20sub%20eng.pdf))
2. Increase funding for the Attorney General "Litigation Office" necessary to support legal challenges against US EPA rules and actions that have negative consequences on West Virginia businesses and industries.
3. Provide a "tax rebate program" for the state's coal-fired utilities to upgrade plants for environmental compliance or O&M and recover a percentage of their costs through a rebate against B&O taxes which are currently imposed on electric generation.
4. Dedicate a percentage of coal severance taxes to fund the Mining Engineering School and coal related research programs at West Virginia University
5. Conforming WV Diesel Laws and Rules to similar rules administered by MSHA

6. Adopt legislation similar to PA and KY regarding Friends of Coal License plates so a nominal fee goes into a fund for promoting Coal and Coal Usage
7. Adopt legislation like Kentucky that provides for a rebate against severance for tonnage sold on the export market. The KY law below was enacted two years ago to capture some of WV's strong export business.