

Newsmaker Interview

Cloud Peak Supports CCS, Says Marshall

Coal News: Cloud Peak Energy is the third largest coal producer in the nation in 2013 producing 87.6 million tons or 8.9% of the country's coal. We very much appreciate you talking to readers of Coal News. Colin, our readers would be very interested in your background and how you came to be President and CEO of Cloud Peak Energy.

Colin Marshall: I have been very lucky to move around the world early in my mining career, gaining experience in operations, finance and business development. As President and CEO of Cloud Peak Energy, I am responsible for the overall activities of the company, which operates three Powder River Basin (PRB) coal mines in Wyoming and Montana.

In 1987, after completing my degree in Mechanical Engineering from Brunel University in the United Kingdom, I began my career with Rio Tinto as a Graduate Trainee working in their industrial group. After two years, I left to study for a Master's in Business Administration at London Business School. On graduation, I worked for Rio Tinto in London for four years as a financial analyst. In 1996, I moved to Brisbane, Australia, to be Finance Director of Pacific Coal, which ran Rio Tinto's Queensland coal assets. In 2000, I was appointed General Manager of Rio Tinto's Cordero Rojo mine in Wyoming to get some operational experience. I served in that role until March 2004, when I returned to Australia as General Manager of Rio Tinto's West Pilbara iron ore operations, located in Tom Price, WA. Two years later, in 2006, I returned to Wyoming to run Rio Tinto Energy America prior to the company's 2009 public offering as Cloud Peak Energy when we were spun out of Rio Tinto.

Coal News: Tell us about the history of Cloud Peak Energy please.

Colin Marshall: Between 1993 and 1998, Rio Tinto acquired PRB coal mines, as it correctly predicted strong demand for low-sulfur coal would be created by the Clean Air Act. In 1998, Kennecott Coal Company, as it was then known, operated the Antelope, Colowyo, Jacobs Ranch, Cordero Rojo and Spring Creek coal mines and held a 50 percent non-operating interest in the Decker coal mine.

Rio Tinto decided to divest its U.S. coal interests in 2007 as it moved to focus on iron ore, copper and aluminum. The Jacobs Ranch mine was sold to Arch Coal in 2009 and is now part of their Black Thunder operation. In November 2009, Cloud Peak Energy was spun out of Rio Tinto through an initial public offering of 51 percent of the company on the NYSE. A year later a secondary offering completed Rio Tinto's sale of its remaining 49 percent interest. Rio Tinto retained the Colowyo mine, which it later sold to Western Fuels.

Cloud Peak Energy Inc., headquartered in Wyoming, is one of the largest U.S. coal

producers and the only pure-play PRB coal company. With approximately 1,700 total employees, Cloud Peak Energy is widely recognized for its exemplary performance in its safety and environmental programs. The company is a sustainable fuel supplier for approximately 4 percent of the nation's electricity.

Coal News: Describe for us please the organization, facilities, and production of Cloud Peak Energy.

Colin Marshall: The company owns and operates three surface coal mines in the PRB, the lowest-cost major coal producing region in the nation. The Antelope and Cordero Rojo mines are located south of Gillette, Wyoming, and the Spring Creek mine is located in southeast Montana. In 2013, Cloud Peak Energy shipped 86 million tons from its three mines to customers located throughout the U.S. and around the world. Year-end reserves were approximately 1.2 billion tons. All the mines use dragline and truck-shovel equipment to remove overburden before coal is mined, crushed and loaded onto unit trains without need for washing.

We are developing an export logistics business supplying coal from the Spring Creek mine, through the Westshore terminal in British Columbia, to utility customers in South Korea, Japan and Taiwan. Cloud Peak Energy owns rights to substantial undeveloped coal and complementary surface assets around Spring Creek, which we would like to develop to serve growing Asian export demand as additional terminal space is built. These undeveloped assets include option and exploration agreements with the Crow Indian Tribe covering more than one billion tons of the tribe's coal which lies just west of the Spring Creek mine. If even a small portion of their coal were mined, it would bring significant benefits to the tribe's people by providing well-paying, stable jobs and significant tax revenues.

Coal News: Tell us please what your philosophy is regarding coal mine safety?

Colin Marshall: Safety is a core value at Cloud Peak Energy, and we believe there is no reason for anyone to be harmed mining coal. We encourage all of our employees and contractors to be actively engaged in the safety of our operations at all times.

We have a long-standing record of safe, responsible coal production which we inherited from Rio Tinto. According to the Mine Safety and Health Administration (MSHA), in 2013, we had one of the lowest All Injury Frequency Rates of the top-25 U.S. coal producers at 0.59 injuries per 200,000 employee hours worked. This is a result of having good safety systems and clear leadership that holds everyone's safety as a value and consistently demonstrates this in all our dealings with employees and contractors. We are proud to have not had a reportable contractor injury for over two years at any of our mines. I should point out that we

count contractor injuries the same as employee injuries for our employee bonus program as we care about everyone's safety at our mines.

We are big supporters of the National

growing economies. While demand is projected to grow rapidly, we will have to overcome strong, well-funded NGO opposition to Northwest coal terminal development. I am optimistic that any legitimate

to drive our economy, so we need to hear from those who would be most hurt by policies that will drive up costs.

Coal News: What would you like your biggest contribution at Cloud Peak to be for you to be remembered?

Colin Marshall: Firstly, I would like to be remembered for leading a company that operated in line with its values, treated employees fairly and put the safety of everyone at the mine above all other considerations.

After that, I would like to see the development of the Spring Creek Complex to include mining on the Crow Indian Reservation and development of our Youngs Creek Mine. To accomplish this, we need development of new West Coast export terminals. Developing the Spring Creek Complex would bring significant economic benefits to the people of Montana and Wyoming and, in particular, to the Crow Tribe, who currently have very high unemployment and low average income. The exported coal would also help the balance of trade and supply energy to U.S. allies, such as South Korea, Japan and Taiwan.

Coal News: How do you see the future of coal?

Colin Marshall: The future of coal globally is very bright. All mainstream analysts understand that, due to its low cost and abundance, coal use is going to grow rapidly. Even the Intergovernmental Panel on Climate Change projects the world's use of coal will increase, led by growing electricity demand in Asian nations. The benefits of bringing reliable low-cost electricity to the 1.2 billion people globally who currently do not have it are massive. The United States has a tremendous opportunity to supply some of that demand and to benefit from new jobs and investment in the process. If America chooses not to supply growing export demand, the coal will come from other countries.

Domestically, it is frustrating that opponents of coal are able to propose that moving quickly from coal is viable without having to explain the massive economic impacts this would cause through rapidly rising electricity prices. Europe has tried this failed experiment and is now increasing its use of coal.

This is why Cloud Peak Energy actively supports the development of carbon capture and sequestration technology that will allow carbon dioxide from coal and gas power stations to be captured and stored deep underground. Coal will continue to be used for decades to come, so we want to be part of developing solutions that allow coal's use into the future. Without carbon capture and storage, it will not be possible to reduce CO₂ emissions in the future if the global society decides it wants to incur the cost.

Coal News: Colin, thank you very much indeed for talking to us. We appreciate it!



Colin Marshall

Mining Association's CORESafety initiative, which should help all companies develop robust systems to improve safety across the whole industry.

Coal News: Describe the challenges the industry faces as you see them. What are the bright spots?

Colin Marshall: There are two main challenges I see facing the domestic coal industry, increasing natural gas production and anti-coal regulation. While competition from other fuel sources should be part of normal business, the onslaught of regulations, both promoting and subsidizing renewables and those curtailing and increasing the cost of coal generation, are not good for the future of the U.S. economy. I think one encouraging sign is that while politicians feel there are lots of votes and money in supporting action on climate change, repeated polls show voters put climate change at the bottom of their concerns, with the economy and jobs first. More and more people are beginning to understand that the actions we are currently taking to address climate change amount to not much more than expensive "window dressing" that will not reduce global emissions. Unfortunately, while this debate is progressing, the regulatory actions being taken, at state and federal levels, are causing the closure of many coal plants that will not be available to provide low-cost electricity that would allow the economy to grow in the future.

A definite bright spot is the potential to export U.S. coal around the world. Cloud Peak Energy's logistics business is focused on supplying U.S. allies in Asia who are building large, low-emissions coal plants to provide electricity to their

environmental concerns can be overcome, so the U.S. can benefit from the jobs, taxes and export revenues additional coal exports will bring. However, there is a real danger that terminal development is decided as a political/emotional issue, driven by NGOs and special interest groups, in which case I am less optimistic.

Coal News: Do you think we are properly harnessing the people power of the 800,000 or so folks in America who depend on coal for a living to get the coal message out?

Colin Marshall: The coal we produce helps generate safe, reliable and affordable electricity, and we are proud of our work. We need to tell this story. We also need to be proactive and promote coal's many advantages that sometimes even we forget in the face of the constant anti-coal messaging. Coal is low cost, mined with a relatively small footprint, safe to transport, does not pollute if spilled, has a very high energy density and provides low-cost, reliable electricity with minimal emissions when burned in a modern power plant.

PRB coal, with its low-sulfur content, has played an important role in helping reduce acid rain caused by sulfur dioxide. In addition, utilities are playing an important part with 90 percent of U.S. coal power plants equipped with advanced emissions controls by 2015, according to the American Coalition for Clean Coal Electricity.

To get these messages out, we must broaden our coalition, beyond those directly employed in the mining sector, to all of those who rely on affordable electricity. Access to low-cost electricity helps