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## Issue 21, 2020

### ● [Coal Earnings Set to Plunge 50% in North America, Moody's Says](#)

*"Earnings for North American coal miners may plunge by more than half this year as the coronavirus pandemic makes a weak market even worse, according to Moody's Investors Service."*

**Why this is important:** The COVID-19 outbreak continues to wreak havoc with U.S. coal companies as the outbreak has exacerbated an already weak coal market. Moody's Investors Service has just announced it expects U.S. coal production to drop 25 percent this year. That will cause U.S. producers' earnings before interest, taxes, depreciation, and amortization to drop 50 percent. Moody's has had a negative outlook on U.S. coal since August 2019, before COVID-19 emerged. While the U.S. Energy Information Agency has predicted a rebound in coal usage from higher gas prices next year, Moody's believes that is wrong. "We expect prices for natural gas, perhaps coal's biggest competitor in North American power generation, to remain low through the early 2020s," according to the report. "Persistently low natural gas prices will undercut the EIA's expectations." These developments will continue to stress U.S. steam coal producers with declining U.S. sales and very weak export markets. --- [Mark E. Heath](#)

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### ● [EPA Clarifies Clean Water Act's Section 401 to Accelerate Energy Infrastructure Projects](#)

*"The Environmental Protection Agency said the new final rule on Section 401 of the CWA, which became law in 1972, requires states and Native American tribes to rule on permit requests within one year of being submitted, and that decisions should be based solely on the project's effect on water quality."*

**Why this is important:** Section 401 of the Clean Water Act allows states to veto projects that do not comply with state water quality standards. But, some states go beyond that and reject projects, such as gas pipelines, because they interfere with state climate change goals. A recent final rule from EPA clarifies that states must limit its decision-making under Section 401 to water quality impacts, and must issue a veto within a year or the project can proceed. --- [David L. Yaussy](#)

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### ● [Major Milestone: Coal Consumption Falls Behind Renewable Energy in the United States](#)

*"The last time the United States consumed more renewable energy than coal was in the 19th century,*

when hydropower was just getting started and wood burning was a major fuel source."

**Why this is important:** In April 2019, renewables produced more electricity than coal in the U.S. The U.S. Energy Information Agency now believes renewables will out produce coal-fired generation for all of 2020. The last time renewables were the dominate energy source in America was prior to 1885 when wood and hydropower were used to power the country. Natural gas displaced coal as the primary fuel for electric generation in 2016. In 2019, coal use for power generation fell 15 percent, to its lowest level since 1964. Now solar, wind, hydropower, and geothermal are providing more energy in the U.S. and are set to surpass coal's share of electric generation this year, with wind becoming the dominant renewable source. These trends are continuing to grow as more companies want their electricity from renewables and pressure is now beginning for utilities to move away from natural gas for electric generation. Southern Company, which now uses 27 percent coal and 47 percent natural gas for electric generation, announced last week it will cut its CO2 emissions by half in 2025, five years ahead of schedule, and close all its coal-fired plants by 2050. --- [Mark E. Heath](#)

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## ● [Ex-FERC Commissioners Debate Solutions to Coal Self-Commitments said to Cost Millions](#)

*"Within the Midcontinent Independent System Operator (MISO) region, uneconomic self-commitment cost ratepayers \$350 million in 2018, averaging \$60 per customer, according to a report released last week from the Union of Concerned Scientists."*

**Why this is important:** The article summarizes an ongoing debate in wholesale electric energy markets about how certain subsidized generation sources should be addressed in what aspire to be competitive markets. Although various generation sources receive some forms of artificial support, the article focuses particularly on the cost to consumers of "self-committing coal-fired power" in the "MISO" market, meaning the plants run regardless of whether it is uneconomic for them to do so -- the cost to operate may exceed the market price for electricity at a given time. For fully regulated utilities, the problem is this cost is passed on to captive ratepayers through state regulatory commissions. On the other hand, self-committing can provide some protection to the overall reliability of the regional electric grids, but it may come at the expense of price distortions within the wholesale market. Some believe these issues should be addressed at the state level, while others believe it is the role of the FERC to find a remedy. No matter where a resolution may lie, the bottom line is that the ultimate consumers of electricity bear the costs. --- [Derrick Price Williamson](#)

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## ● [Hargreaves Services Set to End Coal Mining Operations in July](#)

*"The services company had described itself as one of the largest remaining developers and operators of surface mines in the UK."*

**Why this is important:** Hargreaves Services based in the United Kingdom has announced it will cease all coal mining in July 2020. The company is one of the largest remaining surface coal miners in the UK, with surface mines primarily in Scotland. The company expects to incur some 3.7 million pounds in costs from the closures. Europe continues to move away from coal-fired electric generation, which has further weakened international coal markets. --- [Mark E. Heath](#)

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## ● [Utility Trader Sev.en Energy Acquires U.S. Met Coal Miner Blackhawk](#)

*"The deal follows talk of further consolidation in the U.S. coal industry, and allows the Lexington, Kentucky-based coal mining and trading group to find a single coal industry-based shareholder after Blackhawk's restructuring from Chapter 11 last year."*

**Why this is important:** Sev.en Energy has purchased Blackhawk Mining LLC, according to a June 1 corporate announcement. Financial terms were not announced, but it is believed current debt holders

took equity stakes in the company. The Liechtenstein Company, with offices in Prague and London, operates power generation facilities, commodities trading, and coal mining in Europe and Australia. It is owned by Czech billionaire investor Pavel Tykac. Blackhawk is its second U.S. purchase. Last month, Sev.en bought a 17.1 percent stake in Corsa Coal, which mines 1.7 million tons of metallurgical coal in Pennsylvania. Blackhawk mines seven to eight million tons of metallurgical coal at five mining complexes in West Virginia and Kentucky. Blackhawk also has thermal coal mines. It had \$1 billion in revenues in 2019 with an EBITDA of \$120 million. World spot metallurgical prices at \$100 ton FOB are below most U.S. mines' production costs, which are stressing many U.S. producers. Blackhawk announced this move will position the company for a rebound in metallurgical markets when the world economies return from the COVID-19 impact. This is likely the first of many changes in U.S. coal companies due to the significant downturn in steam and metallurgical coal prices that have led to many mine closings and idlings. Rhino Energy, based in Lexington, Kentucky, has announced it has retained restructuring assistance recently. --- [Mark E. Heath](#)

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## ● [Ford Doesn't Think Low Gasoline Prices Will Annihilate the Electric Car Segment](#)

*"Ford hopes making electric cars attractive will convince buyers to give up gasoline regardless of whether it costs one, two, or four bucks a gallon."*

**Why this is important:** All the major auto companies have invested large sums in electric vehicle development. With low gas prices likely to stick around for some time, will consumers spend the extra money to buy EVs? Ford is probably right that, if you follow the Tesla model and develop an EV from the ground up, rather than converting a gas-powered car to electric, you have a better shot at connecting with buyers. Betting that one-third of all vehicles sold will be electric by 2030 represents a gamble, and presupposes a huge change in consumer preferences in a relatively short time. --- [David L. Yaussy](#)

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## ● [In Coal, Carbon Advances, NETL Looks to be a 'Known Gem' to WV, Appalachia](#)

*"The National Energy Technology Laboratory, located in Morgantown, has long been a 'hidden gem' in the area, according to its leadership, but its recent advancements and technologies are expanding its role in the community."*

**Why this is important:** The National Energy Technology Lab in Morgantown, West Virginia continues to work on more efficient ways to use fossil fuels and limit emissions. The lab has 1,055 employees and a \$150 million impact on West Virginia, and is focusing on additional uses for coal outside of generating power, carbon capture, and making coal-fired power plants more efficient. Currently, there is a move away from centralized coal-fired electric generation plants toward more local plants fired by natural gas or renewables like solar and wind power. Power trends show a way must be found to reduce carbon emissions from coal-fired generation plants for these plants to remain in the U.S. electric generation grid. --- [Mark E. Heath](#)

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## ● [Energy Question of the Week](#)

### Last Week's Question and Results

Should the ACE Rule prevent states from adopting market-based compliance mechanisms?

Yes - 28.6%  
No - 42.9%  
Undecided - 14.3%  
Other - 14.3%

Should attempts to lower CO2 emissions be driven by regulation or by market forces?

### Regulations

Select

### Market Forces

Select

Both

Select

Neither

Select

Do Not Know

Select

Other

Select

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## ● EIA Energy Statistics

*Here is a round-up of the latest statistics concerning the energy industry.*

### **PETROLEUM**

#### **This Week in Petroleum**

#### **Weekly Petroleum Status Report**

### **NATURAL GAS**

#### **Short-Term Energy Outlook - Natural Gas**

#### **Natural Gas Weekly Update**

#### **Natural Gas Futures Prices**

### **COAL**

#### **Short-Term Energy Outlook - Coal**

#### **Coal Markets**

#### **Weekly Coal Production**

### **RENEWABLES**

#### **Short-Term Energy Outlook**

#### **Monthly Biodiesel Production Report**

## **Monthly Densified Biomass Fuel Report**

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**What are your areas of interest? If there are particular industries or issues that you would like to hear about, [email us](#) ! We have a large number of attorneys willing to weigh in on the issues that impact you and your business.**

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