



Testimony of
Hal Quinn
President and CEO
National Mining Association
before the
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Committee on Energy and Commerce
Subcommittee on Energy and Power

“The “U.S. Energy Abundance: Regulatory, Market, and Legal Barriers to Export”

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Good morning. I am Hal Quinn, president and chief executive officer of the National Mining Association (NMA). NMA is the national trade association representing the producers of most of the nation's coal, metals, industrial and agricultural minerals; manufacturers of mining and mineral processing machinery, equipment and supplies; and engineering and consulting firms, financial institutions and other firms serving the mining industry.

I want to thank the chairman and the members of the subcommittee for holding this hearing on the importance of U.S. energy exports. U.S. coal exports drove economic growth both here at home and globally, adding \$16.6 billion to the U.S. economy. In fact, coal represents the only net positive addition to our nation's trade balance from the energy sector.

THE FACTS ABOUT U.S. COAL EXPORTS

In a report released recently by NMA, "*U.S. Coal Exports: National and State Economic Contributions*," Ernst & Young documented the valuable contributions that our economy derives from U.S. coal exports (*available at <http://www.uscoalexports.org/>*). Last year, the U.S. coal industry exported a record volume of more than 125 million tons of coal, supporting 168,430 jobs at mines, railroads, ports and many other businesses that comprise the wide range of industries in the supply chain. For every million tons of U.S. coal exported an estimated 1,320 total jobs are added to the U.S. economy. These high-wage jobs pay nearly 50 percent more than the national average in wages. The direct jobs created from coal exports average approximately \$96,100 annually in total wages and benefits, a rare example of new high-wage job creation in an economy still struggling to create good employment opportunities.

The share of U.S. coal that is exported abroad has been increasing in recent years. From 2000 to 2010, U.S. coal mines exported about 5 percent of total production on average but more recently the share of coal exported has doubled to average 10 percent of production. To put that into perspective, in 2012 the United States produced more than 1 billion tons of coal, of which 125.7 million tons (12 percent of total production) was exported. This marks an increase in both the volume and the share of total U.S. production that is exported compared with five years ago in 2007, when exports totaled 55 million short tons of coal (5 percent of total production). In 2011, U.S. coal exports accounted for 8.4 percent of world seaborne coal shipments, up from 5.7 percent in 2007. Of the 125.7 million

tons of U.S. coal exports in 2012, 56 percent was metallurgical coal for steel production and 44 percent was steam coal for electricity generation. The U.S. ranks second in the world in metallurgical coal exports.

COAL EXPORTS PROVIDE SIGNIFICANT ECONOMIC BENEFITS BEYOND THE U.S. COALFIELDS

The economic benefits of U.S. coal exports extend well beyond the coal fields. Coal exports create jobs throughout the supply chain that include rail, barge, port operations, cargo handling and goods and service suppliers to each of these links in the supply chain. Coal exports comprised 16 percent of the total vessel weight of exported goods passing through U.S. ports. Coal export facilities located in Virginia, Louisiana, Maryland and Alabama alone generated \$5.5 billion of economic activity and supported more than 45,000 jobs. The economic lift provided by coal exports in these states underscores the potential for other states, especially on the West Coast, to benefit economically from sharply rising coal demand from Asia.

COAL EXPORTS DRIVE GLOBAL ECONOMIC GROWTH AND PROVIDE ENERGY ACCESS TO HUNDREDS OF MILLIONS IN THE DEVELOPING WORLD

Coal is powering the historic transformation of developing countries from agrarian societies to commercial powers. The ongoing build out of humanity is occurring for the most part in the developing world through industrialization and urbanization that is unprecedented in both scope and pace. Much of this transformation depends upon a coal-centric infrastructure that requires coal for steel, cement and, of course, electricity.

Access to electricity is correlated with every measurable indicator of human development. Between 1990 and 2010, electricity access extended to 1.7 billion people. With coal being the fastest growing energy source over the past decade, it is probably responsible for lifting half of them from energy poverty. However, 3.6 billion people still remain without any or only partial access to electricity. As the International Energy Agency's Coal Industry Advisory Board recently noted:

At present 19% of the world's population, 1.3 billion people, lack access to electricity and on New Policy Scenario projections there will still be 1 billion people without such

access in 2030. To meet the UN Millennium Development Goal of eradicating extreme poverty by 2015, 395 million more people need access to electricity.

Over the next four years, more than 300 gigawatts (GW) of coal-based electricity generation is expected to be constructed globally in order to drive economic growth and raise the standard of living for hundreds of millions of people. Steel consumption will increase as these emerging economies accommodate the migration of their populations from rural areas to urban centers. This rising and growing middle class with greater purchasing power will in turn provide new markets for goods and services made here in America.

GROWING GLOBAL DEMAND PRESENTS THE U.S. WITH VAST COAL EXPORT OPPORTUNITIES

The global economy is growing with coal. The Energy Information Administration forecasts coal will remain the dominate fuel source for electricity generation through 2035 – both in the U.S. and the rest of the world. Some forecasts peg coal to surpass oil as the leading global energy source within two years.

China, the world's second largest economy, is building and lighting up scores of giant new cities with coal. Coal now generates 65 percent of India's electricity. The country's fast-rising middle class is driving plans to double the size of its power grid by 2025. China and India are not the only chapters in this story. Vietnam plans to add more than 30 GW of coal-based power this decade. Thailand, Taiwan, Indonesia, Malaysia and the Philippines are following a similar path.

The increasing appetite for coal is not confined to the developing world. Japan is expected to increase its coal imports by to replace part of its nuclear capacity. South Korea has increased its coal imports by 45 percent over the past five years. Europe is turning to more coal in response to natural gas prices that are three times those in the U.S. and because rising concerns about the future of nuclear power on the continent.

The trend of a growing seaborne coal market is clear. And the U.S. has the most of what the rest of the world needs: a recoverable reserve base of

262 billion tons and a demonstrated reserve base of 484 billion tons. The U.S. coal industry has unmistakably demonstrated its capacity to meet this growing demand—doubling its exports in four years.

In announcing the National Export Initiative, the president declared that:

We need to export more of our goods. Because the more products we make and sell to other countries, the more jobs we support right here in America. We will double our exports over the next five years, an increase that will support two million jobs in America...We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores.

The planned U.S. port expansions on the Atlantic and Pacific coasts, the Gulf of Mexico and the Great Lakes would support a more than doubling of coal exports once again. That would mean the creation of at least another 168,000 high wage jobs here in the United States. But the countries looking for more coal to build and power their economies will not wait for us. There are other suppliers they can turn to if we do not expand our export infrastructure in a timely manner.

Two leading coal export countries—Australia and Canada—have demonstrated that permitting major projects can be both timely and thorough. Yet, they both continue to strive to improve the efficiency and timeliness in reviewing and permitting major infrastructure projects including coal export facilities. They understand that we are in a global competition for investment and that an effective and efficient permitting process provides a competitive advantage.

Just last year, Canada's Prime Minister Stephen Harper announced a new initiative—'one project, one review'—to provide greater certainty, reliability and efficiency in the permitting process. The key features of this initiative include:

- Deadlines early in the process for determining the type and scope of environmental assessments;
- Specific timelines for completing those environmental assessments;
- Legally binding deadlines for key regulatory permits;

- Enhanced coordination and consolidation of responsibilities for provincial and federal agencies reviewing projects; and
- Allowing provincial environmental assessments to substitute for federal assessments in order to eliminate duplication.

These best practices for coordination, clarity in responsibilities and accountability with goals and timeframes are similar to the principles reflected in Executive Order 13604 on improving performance of federal permitting and review of infrastructure projects. They also align with many of the recommendations from the President's Council on Jobs and Competitiveness. It is time to put them into practice.

Valid concerns should be fully addressed. At the same time, they should not serve as an excuse to trap projects in a limbo of duplicative, unpredictable and endless review without a decision point. We should not confuse the length of the process with the rigor of review. Predictability and reliability in our regulatory system are essential elements for supporting long term investments that produce high-paying and highly skilled jobs.

CONCLUSION

I appreciate the opportunity to testify today. Coal exports are making significant contributions to America's economic growth and job creation in the coal fields and beyond. With the right public policies, we can double that contribution and provide more Americans the opportunities for high wage and highly skilled jobs.