

# Coal Market Module

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The NEMS Coal Market Module (CMM) provides projections of U.S. coal production, consumption, exports, imports, distribution, and prices. The CMM comprises three functional areas: coal production, coal distribution, and coal exports. A detailed description of the CMM is provided in the EIA publication, *Coal Market Module of the National Energy Modeling System 2010*, DOE/EIA-M060(2010) (Washington, DC, 2010).

## Key Assumptions

### Coal Production

The coal production submodule of the CMM generates a different set of supply curves for the CMM for each year of the projection. Forty separate supply curves are developed for each of 14 supply regions, nine coal types (unique combinations of thermal grade and sulfur content), and two mine types (underground and surface). Supply curves are constructed using an econometric formulation that relates the minemouth prices of coal for the supply regions and coal types to a set of independent variables. The independent variables include: capacity utilization of mines, mining capacity, labor productivity, the user cost of capital of mining equipment, the cost of factor inputs (labor and fuel), and other mine supply costs.

The key assumptions underlying the coal production modeling are:

- As capacity utilization increases, higher minemouth prices for a given supply curve are projected. The opportunity to add capacity is allowed within the modeling framework if capacity utilization rises to a pre-determined level, typically in the 80 percent range. Likewise, if capacity utilization falls, mining capacity may be retired. The amount of capacity that can be added or retired in a given year depends on the level of capacity utilization, the supply region, and the mining process (underground or surface). The volume of capacity expansion permitted in a projection year is based upon historical patterns of capacity additions.
- Between 1980 and 1999, U.S. coal mining productivity increased at an average rate of 6.7 percent per year from 1.93 to 6.61 tons per miner per hour. The major factors underlying these gains were interfuel price competition, structural change in the industry, and technological improvements in coal mining.[1] Since 1999, however, growth in overall U.S. coal mining productivity has slowed substantially, decreasing at a rate of 1.1 percent per year to 5.96 tons per miner hour in 2008. By region, productivity in most of the coal producing basins represented in the CMM has declined some during the past 5 years. In the Central Appalachian coal basin, which has been mined extensively, productivity declined by a significant 33 percent between 1999 and 2008, corresponding to an average decline of 4.4 percent per year.

Over the projection period, labor productivity is expected to decline in most coal supply regions, reflecting the trend of the previous five years. Higher stripping ratios and the added labor needed to maintain more extensive underground mines offset productivity gains achieved from improved equipment, automation, and technology. Productivity in some areas of the East is projected to decline as operations move from mature coalfields to marginal reserve areas. Regulatory restrictions on surface mines and fragmentation of underground reserves limit the benefits that can be achieved by Appalachian producers from economies of scale.

In the CMM, different rates of productivity improvement are assumed for each of the 40 coal supply curves used to represent U.S. coal supply. These estimates are based on recent historical data and expectations regarding the penetration and impact of new coal mining technologies. [2] Data on labor productivity are provided on a quarterly and annual basis by individual coal mines and preparation plants on the U.S. Mine Safety and Health Administration's Form 7000-2, "Quarterly Mine Employment and Coal Production Report" and the Energy Information Administration's Form EIA-7A, *Coal Production Report*. In the reference case, overall U.S. coal mining labor productivity declines at

rate of 0.3 percent a year between 2008 and 2035. Reference case projections of coal mining productivity by region are provided in Table 12.1.

- With the exception of the *AEO2010* Low and High Coal Cost Cases, both the wage rate for U.S. coal miners and mine equipment costs are assumed to remain constant in 2008 dollars (i.e., increase at the general rate of inflation) over the projection period. This assumption primarily reflects the recent trends in these cost variables.

## Coal Distribution

The coal distribution submodule of the CMM determines the least-cost (minemouth price plus transportation cost) supplies of coal by supply region for a given set of coal demands in each demand sector using a linear programming algorithm. Production and distribution are computed for 14 supply (Figure 10) and 16 demand regions (Figure 11) for 49 demand subsectors.

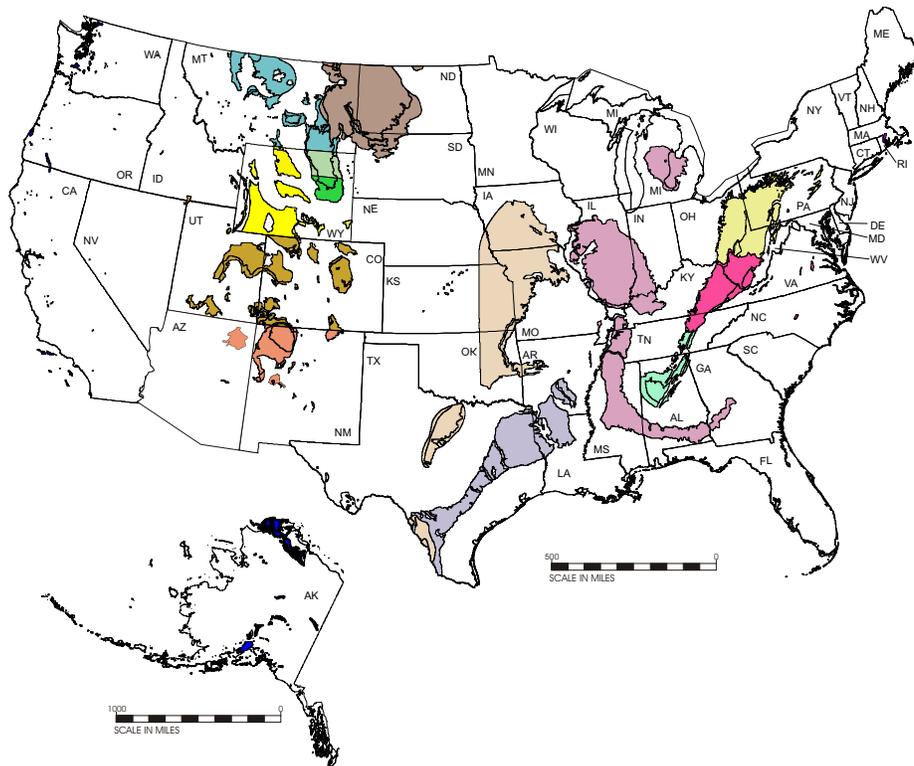
The projected levels of coal-to-liquids, industrial steam, coking, and residential/commercial coal demand are provided by the petroleum market, industrial, commercial, and residential demand modules, respectively; electricity coal demands are projected by the EMM; coal imports and coal exports are projected by the CMM based on non-U.S. coal supply availability, endogenously determined U.S. import demand, and exogenously determined world coal demand (non-U.S.).

**Table 12.1. Coal Mining Productivity by Region**  
(Short Tons per Miner Hour)

Supply Region	2008	2015	2020	2025	2030	2035	Average Annual Growth 08-35
Northern Appalachia	3.70	3.51	3.49	3.44	3.40	3.35	-0.4%
Central Appalachia	2.69	2.34	2.19	2.07	2.04	1.96	-1.2%
Southern Appalachia	2.08	1.89	1.76	1.70	1.67	1.65	-0.8%
Eastern Interior	4.22	4.14	4.12	4.11	4.08	4.05	-0.2%
Western Interior	2.35	2.32	2.32	2.32	2.32	2.32	0.0%
Gulf Lignite	7.79	6.77	6.60	6.44	6.28	6.13	-0.9%
Dakota Lignite	15.49	15.09	15.47	15.86	16.26	16.67	0.3%
Western Montana	20.82	14.43	14.95	15.92	18.55	19.20	-0.3%
Wyoming, Northern Power River Basin	33.79	30.99	30.22	29.48	28.75	28.03	-0.7%
Wyoming, Southern Power River Basin	37.58	34.47	33.62	32.78	31.97	31.18	-0.7%
Western Wyoming	8.17	7.84	7.97	8.15	8.47	8.48	0.1%
Rocky Mountain	6.23	5.52	5.50	5.47	5.42	5.38	-0.5%
Arizona/New Mexico	8.54	8.80	8.88	8.95	9.00	9.05	0.2%
Alaska/Washington	6.29	6.29	6.29	6.29	6.29	6.29	0.0%
U.S. Average	5.96	6.09	6.10	6.38	6.62	6.51	0.3%

Source: Energy Information Administration, AEO2010 National Energy Modeling System run AEO2010r.D111809a.

Figure 10. Coal Supply Regions



**APPALACHIA**

- Northern Appalachia
- Central Appalachia
- Southern Appalachia

**INTERIOR**

- Eastern Interior
- Western Interior
- Gulf Lignite

**NORTHERN GREAT PLAINS**

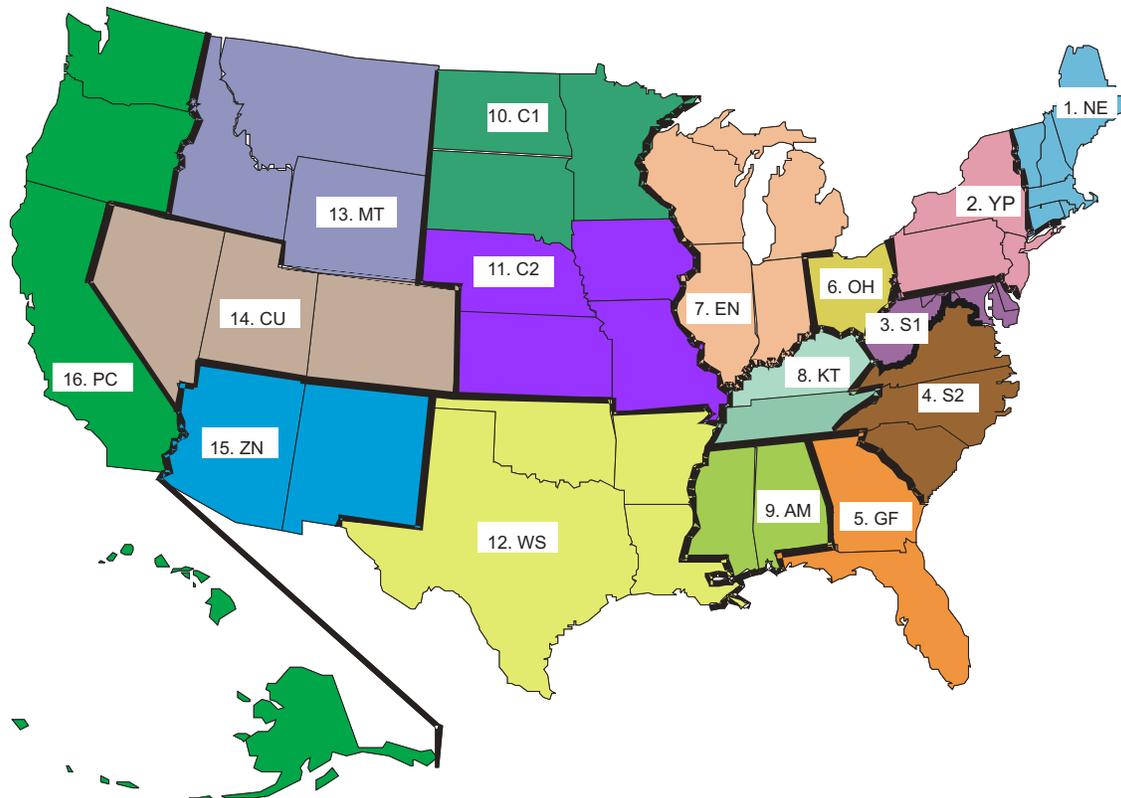
- Dakota Lignite
- Western Montana
- Wyoming, Northern Powder River Basin
- Wyoming, Southern Powder River Basin
- Western Wyoming

**OTHER WEST**

- Rocky Mountain
- Southwest
- Northwest

Source: Energy Information Administration, Office of Integrated Analysis and Forecasting

Figure 11. Coal Demand Regions



Region Code	Region Content
1. NE	CT,MA,ME,NH,RI,VT
2. YP	NY,PA,NJ
3. S1	WV,MD,DC,DE
4. S2	VA,NC,SC
5. GF	GA,FL
7. EN	IN,IL,MI,WI
8. KT	KY,TN

Region Code	Region Content
9. AM	AL,MS
10. C1	MN,ND,SD
11. C2	IA,NE,MO,KS
12. WS	TX,LA,OK,AR
13. MT	MT,WY,ID
14. CU	CO,UT,NV
15. ZN	AZ,NM
16. PC	AK,HI,WA,OR,CA

Source: Energy Information Administration, Office of Integrated Analysis and Forecasting.

The key assumptions underlying the coal distribution modeling are:

- Base-year (2008) transportation costs are estimates of average transportation costs for each origin-destination pair without differentiation by transportation mode (rail, truck, barge, and conveyor). These costs are computed as the difference between the average delivered price for a demand region (by sector and for export) and the average minemouth price for a supply curve. Delivered price data are from Form EIA-3, *Quarterly Coal Consumption Report-Manufacturing Plants*, Form EIA-5, *Quarterly Coke Consumption and Quality Report, Coke Plants*, Form EIA-923, *Power Plant Operations Report*, and the U.S. Bureau of the Census' *Monthly Report EM-545*. Minemouth price data are from Form EIA-7A, *Coal Production Report*.
- For the electricity sector only, a two-tier transportation rate structure is used for those regions which, in response to rising demands or changes in demands, may expand their market share beyond historical levels. The first-tier rate is representative of the historical average transportation rate. The second-tier transportation rate is used to capture the higher cost of expanded shipping distances in large demand regions. The second tier is also used to capture costs associated with the use of

subbituminous coal at units that were not originally designed for its use. This cost is estimated at \$0.10 per million Btu (2000 dollars). [3]

- Coal transportation costs, both first- and second-tier rates, are modified over time by two regional (east and west) transportation indices. The indices, calculated econometrically, are measures of the change in average transportation rates, on a tonnage basis, that occurs between successive years for coal shipments. An east index is used for coal originating from eastern supply regions while a west index is used for coal originating from western supply regions. The east index is a function of railroad productivity, the user cost of capital for railroad equipment, and national average diesel fuel price. The user cost of capital for railroad equipment is calculated from the producer price index (PPI) for railroad equipment, and accounts for the opportunity cost of money used to purchase equipment, depreciation occurring as a result of use of the equipment (assumed at 10 percent), less any capital gain associated with the worth of the equipment. In calculating the user cost of capital, a risk premium is added to the cost of borrowing in order to account for the possibility that greenhouse gas emissions may be regulated in the future. The west index is a function of railroad productivity, investment, and western share of national coal consumption. The indices are universally applied to all domestic coal transportation movements within the CMM. In the *AEO2010* reference case, eastern coal transportation rates are projected to be the same in 2035 and western rates are projected to be 5 percent higher in 2035 compared to 2008.

For the projection period, the explanatory values are assumed to have varying impacts on the calculation of the indices. For the west, investment is the analogous variable to the user cost of capital of railroad equipment. The investment value and the PPI for rail equipment which is used to derive the user cost of capital increase with an increase in national ton-miles (total tons of coal shipped multiplied by the average distance). Increases in investment (west) or the user cost of capital for railroad equipment (east) cause projected transportation rates to increase. For both the east and the west, any related financial savings due to productivity improvements are assumed to be retained by the railroads and are not passed on to shippers in the form of lower transportation rates. For that reason, productivity is held flat for the projection period for both regions. For the east for the projection period, diesel fuel is removed from the equation in order to avoid double-counting the influence of diesel fuel costs with the impact of the fuel surcharge program. The transportation rate indices for seven *AEO2010* cases are shown in Table 12.2.

**Table 12.2. Transportation Rate Multipliers**  
(Constant Dollar Index, 2008=1.000)

Scenario	Region:	2008	2015	2020	2025	2030	2035
Reference Case	East	1.000	1.0101	1.0064	0.9925	0.9988	0.9968
	West	1.000	1.0236	1.0267	1.0412	1.0520	1.0504
High Resource Price	East	1.000	1.0160	1.0125	1.0165	1.0100	1.0044
	West	1.000	1.0217	1.0173	1.0229	1.0390	1.0379
Low Resource Price	East	1.000	1.0037	1.0033	0.9982	0.9949	0.9956
	West	1.000	1.0186	1.0353	1.0650	1.0694	1.0752
High Economic Growth	East	1.000	1.0104	1.0045	0.9934	0.9991	0.9956
	West	1.000	1.0251	1.0393	1.0566	1.0716	1.0701
Low Economic Growth	East	1.000	1.0076	1.0111	0.9972	1.0063	1.0108
	West	1.000	1.0181	1.0181	1.0279	1.0359	1.0323
High Coal Cost	East	1.000	1.0700	1.1100	1.1500	1.2000	1.2500
	West	1.000	1.0800	1.1400	1.2000	1.2600	1.3100
Low Coal Cost	East	1.000	0.9500	0.9000	0.8400	0.8000	0.7500
	West	1.000	0.9600	0.9200	0.8800	0.8400	0.7900

Source: Projections: Energy Information Administration, National Energy Modeling System runs AEO2010r.D111809A, HP2010.D011910A, LP2010.D011910A, HM2010.D020310A, LM2010.D011110A, HCCST10.D120909A, LCCST10.D120909A. Based on methodology described in *Coal Market Module of the National Energy Modeling System 2010*, DOE/EIA-M066(2010) (Washington, DC, 2010).

- Major coal rail carriers have implemented fuel surcharge programs in which higher transportation fuel costs have been passed on to shippers. While the programs vary in their design, the Surface Transportation Board (STB), the regulatory body with limited authority to oversee rate disputes, recommended that the railroads agree to develop some consistencies among their disparate programs and likewise recommended closely linking the charges to actual fuel use. The STB cited the use of a mileage-based program as one means to more closely estimate actual fuel expenses.

For *AEO2010*, representation of a fuel surcharge program is included in the coal transportation costs. For the west, the methodology is based on BNSF Railway Company's mileage-based program. The surcharge becomes effective when the projected nominal distillate price to the transportation sector exceeds \$1.25 per gallon. For every \$0.06 per gallon increase above \$1.25, a \$0.01 per carload mile is charged. For the east, the methodology is based on CSX Transportation's mileage-based program. The surcharge becomes effective when the projected nominal distillate price to the transportation sector exceeds \$2.00 per gallon. For every \$0.04 per gallon increase above \$2.00, a \$0.01 per carload mile is charged. The number of tons per carload and the number of miles vary with each supply and demand region combination and are a pre-determined model input. The final calculated surcharge (in constant dollars per ton) is added to the escalator-adjusted transportation rate. For every projection year, it is assumed that 100 percent of all coal shipments are subject to the surcharge program.

- Coal contracts in the CMM represent a minimum quantity of a specific electricity coal demand that must be met by a unique coal supply source prior to consideration of any alternative sources of supply. Base-year (2008) coal contracts between coal producers and electricity generators are estimated on the basis of receipts data reported by generators on the EIA-923, *Power Plant Operations Report*. Coal contracts are specified by CMM supply region, coal type, demand region, and whether or not a unit has flue gas desulfurization equipment. Coal contract quantities are reduced over time on the basis of contract duration data from information reported on the Form EIA-923, *Power Plant Operations Report*, historical patterns of coal use, and information obtained from various coal and electric power industry publications and reports.
- Electric generation demand received by the CMM is subdivided into “coal groups” representing demands for different sulfur and thermal heat content categories. This process allows the CMM to determine the economically optimal blend of different coals to minimize delivered cost, while meeting emissions requirements. Similarly, nongeneration demands are subdivided into subsectors with their own coal groups to ensure that, for example, lignite is not used to meet a coking coal demand.
- Coal-to-liquids (CTL) facilities are assumed to be economic when low-sulfur distillate prices reach high enough levels. These plants are assumed to be co-production facilities with generation capacity of 652 MW and the capability of producing 50,000 barrels of liquid fuel per day. The technology assumed is similar to an integrated gasification combined cycle, first converting the coal feedstock to gas, and then subsequently converting the syngas to liquid hydrocarbons using the Fisher-Tropsch process. Of the total amount of coal consumed at each plant, 46 percent of the energy input is retained in the product with the remaining energy used for conversion (38 percent) and for the production of power sold to the grid (17 percent). The liquid products produced include naphtha, kerosene, and diesel. For *AEO2010*, coal-biomass-to-liquids capability has been incorporated into the NEMS structure. These facilities have the same operating features as CTL plants except 80 percent of the energy input is derived from coal with the remaining 20 percent derived from biomass.

## **Coal Imports and Exports**

Coal imports and exports are modeled as part of the CMM's linear program that provides annual projections of U.S. steam and metallurgical coal exports, in the context of world coal trade. The linear program determines the pattern of world coal trade flows that minimize the production and transportation costs of meeting U.S. import demand and a pre-specified set of regional world coal import demands. It does this subject to constraints on export capacity and trade flows.

The key assumptions underlying coal export modeling are:

- Coal buyers (importing regions) tend to spread their purchases among several suppliers in order to reduce the impact of potential supply disruptions, even though this may add to their purchase costs. Similarly, producers choose not to rely on any one buyer and instead endeavor to diversify their sales.
- Coking coal is treated as homogeneous. The model does not address quality parameters that define coking coals. The values of these quality parameters are defined within small ranges and affect world coking coal flows very little.

Data inputs for coal trade modeling:

- U.S. coal exports are determined, in part, by the projected level of world coal import demand. World steam and metallurgical coal import demands for the *AEO2010* cases are shown in Tables 12.3 and 12.4.
- Step-function coal export supply curves for all non-U.S. supply regions. The curves provide estimates of export prices per metric ton, inclusive of minemouth and inland freight costs, as well as the capacities for each of the supply steps.
- Ocean transportation rates (in dollars per metric ton) for feasible coal shipments between international supply regions and international demand regions. The rates take into account typical vessel sizes and route distances in thousands of nautical miles between supply and demand regions.

## Coal Quality

Each year the values of base year coal production, heat, sulfur and mercury (Hg) content and carbon dioxide emissions for each coal source in CMM are calibrated to survey data. Surveys used for this purpose are the Form EIA-923, a survey of the origin, cost and quality of fossil fuels delivered to generating facilities, the Form EIA-5 which records the origin, cost, and quality of coal receipts at domestic coke plants, and the Form EIA-3, which records the origin, cost and quality of coal delivered to domestic industrial consumers. Estimates of coal quality for the export and residential/commercial sectors are made using the survey data for coal delivered to coking coal and industrial steam coal consumers. Hg content data for coal by supply region and coal type, in units of pounds of Hg per trillion Btu, shown in Table 71, were derived from shipment-level data reported by electricity generators to the Environmental Protection Agency in its 1999 Information Collection Request. The database included approximately 40,500 Hg samples reported for 1,143 generating units located at 464 coal-fired facilities. Carbon dioxide emission factors for each coal type are shown in Table 12.5 in pounds of carbon dioxide emitted per million Btu. [4]

The CMM projects steam and metallurgical coal trade flows from 17 coal-exporting regions of the world to 20 import regions for three coal types (coking, bituminous steam, and subbituminous). It includes five U.S. export regions and four U.S. import regions.

**Table 12.3. World Steam Coal Import Demand by Import Region**

(Million metric tons of coal equivalent)

Import Regions <sup>1</sup>	2008 <sup>2</sup>	2015	2020	2025	2030	2035
<b>The Americas</b>	59.7	53.6	58.6	60.0	68.2	84.0
United States <sup>3</sup>	25.7	24.2	30.1	27.4	30.1	43.1
Canada	16.2	9.7	7.8	8.2	8.2	8.2
Mexico	3.0	5.5	6.4	7.9	11.0	12.1
South America	14.8	14.2	14.3	16.6	19.0	20.7
<b>Europe</b>	163.9	194.7	179.8	177.0	176.3	176.8
Scandinavia	10.6	7.9	6.5	5.8	4.9	4.5
U.K/Ireland	35.6	42.6	28.6	29.5	30.8	32.1
Germany/Austria	33.7	38.5	38.3	37.3	36.3	35.3
Other NW Europe	23.1	22.6	22.6	20.7	19.8	19.0
Iberia	19.4	21.5	20.4	19.0	17.5	16.2
Italy	12.7	25.1	26.9	26.9	26.9	26.9
Med/E Europe	28.8	36.5	36.5	37.8	40.1	42.8
<b>Asia</b>	314.3	362.6	389.1	421.0	467.1	518.7
Japan	94.1	87.6	85.0	82.3	80.1	78.0
East Asia	112.3	112.3	113.8	120.7	131.0	142.3
China/Hong Kong	42.5	65.5	73.4	81.5	89.2	97.8
ASEAN	32.0	41.0	50.2	60.5	67.9	76.2
Indian Sub	33.4	56.2	66.7	76.0	98.9	124.4
<b>Total</b>	537.9	610.9	627.5	658.0	711.6	779.5

<sup>1</sup>Import Regions: **South America:** Argentina, Brazil, Chile, Puerto Rico; **Scandinavia:** Denmark, Finland, Norway, Sweden; **Other NW Europe:** Belgium, France, Luxembourg, Netherlands; **Iberia:** Portugal, Spain; **Med/E Europe:** Algeria, Bulgaria, Croatia, Egypt, Greece, Israel, Malta, Morocco, Romania, Tunisia, Turkey; **East Asia:** North Korea, South Korea, Taiwan; **ASEAN:** Malaysia, Philippines, Thailand; **Indian Sub:** Bangladesh, India, Iran, Pakistan, Sri Lanka.

<sup>2</sup>The base year of the world trade projection for coal is 2008.

<sup>3</sup>Excludes imports to Puerto Rico and the U.S. Virgin Islands.

Notes: One "metric ton of coal equivalent" contains 27.78 million Btu. Totals may not equal sum of components due to independent rounding.

**Table 12.4. World Metallurgical Coal Import Demand by Import Region**

(Million metric tons of coal equivalent)

Import Regions <sup>1</sup>	2008 <sup>2</sup>	2015	2020	2025	2030	2035
<b>The Americas</b>	21.1	25.0	28.7	31.9	35.8	40.3
United States	1.3	1.3	1.3	1.3	1.3	1.3
Canada	3.4	3.2	3.1	3.0	2.9	2.7
Mexico	1.0	1.0	1.0	1.0	1.0	1.0
South America	15.4	19.4	23.2	26.6	30.6	35.2
<b>Europe</b>	64.0	58.2	58.4	58.3	58.5	58.7
Scandinavia	2.7	2.6	2.7	2.7	2.7	2.7
U.K/Ireland	6.5	7.2	7.2	7.2	7.2	7.3
Germany/Austria	11.5	9.3	9.3	9.2	9.2	9.2
Other NW Europe	17.2	14.8	14.6	14.4	14.4	14.2
Iberia	3.8	4.0	3.9	3.8	3.7	3.6
Italy	7.4	7.4	7.3	7.3	7.2	7.2
Med/E Europe	14.9	12.9	13.4	13.7	14.1	14.5
<b>Asia</b>	141.2	160.6	166.9	184.2	188.9	195.2
Japan	81.4	73.1	72.1	69.2	66.3	63.4
East Asia	31.4	32.9	34.0	35.2	36.3	37.5
China/Hong Kong	2.2	15.4	17.3	24.0	28.4	33.5
ASEAN	0.0	0.0	0.0	0.0	0.0	0.0
Indian Sub	26.2	39.2	43.5	55.8	57.9	60.8
<b>Total</b>	226.3	243.8	254.0	274.4	283.2	294.2

<sup>1</sup>Import Regions: **South America:** Argentina, Brazil, Chile, Puerto Rico; **Scandinavia:** Denmark, Finland, Norway, Sweden; **Other NW Europe:** Belgium, France, Luxembourg, Netherlands; **Iberia:** Portugal, Spain; **Med/E Europe:** Algeria, Bulgaria, Croatia, Egypt, Greece, Israel, Malta, Morocco, Romania, Tunisia, Turkey; **East Asia:** North Korea, South Korea, Taiwan; **ASEAN:** Malaysia, Philippines, Thailand; **Indian Sub:** Bangladesh, India, Iran, Pakistan, Sri Lanka.

<sup>2</sup>The base year of the world trade projection for coal is 2008.

Notes: One "metric ton of coal equivalent" contains 27.78 million Btu. Totals may not equal sum of components due to independent rounding.

Source: Projections: Energy Information Administration, Office of Integrated Analysis and Forecasting.

## Legislation and Regulations

The *AEO2010* is based on current laws and regulations in effect before October 31, 2009.

The *AEO2010* reference case incorporates provisions of the Clean Air Act Amendments of 1990 as they apply to SO<sub>2</sub> and NO<sub>x</sub> emissions.

The Clean Air Mercury Rule (CAMR) and the Clean Air Interstate Rule (CAIR) are additional rules promulgated by EPA related to coal emissions but were vacated by the courts in February and July 2008, respectively. CAIR addresses further SO<sub>2</sub> emissions and seasonal and annual NO<sub>x</sub> emissions while CAMR addresses mercury emissions. As a result of the court ruling, CAMR is not included in the *AEO2010* reference case and, in the absence of a cap-and-trade system, mercury allowance prices are not modeled. However, with or without CAMR, many States were planning to implement mercury rules of their own. For those States, the effects of state laws are approximated and modeled for the *AEO2010*. CAIR, however, was temporarily reinstated by the courts in December 2008 and is included in *AEO2010*.

**Table 12.5. Production, Heat Content, and Sulfur, Mercury and Carbon Dioxide Emission Factors by Coal Type and Region**

Coal Supply Region	States	Coal Rank and Sulfur Level	Mine Type	2008 Production (Million Short tons)	Heat Content (Million Btu per Short ton)	Sulfur Content (Pounds Per Million Btu)	Mercury Content (Pounds Per Trillion Btu)	CO <sub>2</sub> (Pounds Per Million Btu)
Northern Appalachia	PA, OH, MD, WV(North)	Metallurgical	Underground	7.6	26.28	0.73	N/A	207.5
		Mid-Sulfur Bituminous	All	55.1	25.19	1.28	11.17	207.5
		High-Sulfur Bituminous	All	73.0	24.80	2.51	11.67	205.7
		Waste Coal (Gob and Culm)	Surface	13.7	12.35	2.68	63.9	205.7
Central Appalachia	KY(East), WV (South), VA, TN (North)	Metallurgical	Underground	46.5	26.28	0.69	N/A	205.9
		Low-Sulfur Bituminous	All	34.1	24.83	0.54	5.61	205.9
		Mid-Sulfur Bituminous	All	153.7	24.67	0.89	7.58	205.9
Southern Appalachia	AL, TN(South)	Metallurgical	Underground	9.3	26.28	0.56	N/A	205.4
		Low-Sulfur Bituminous	All	0.5	24.41	0.52	3.87	205.4
		Mid-Sulfur Bituminous	All	11.3	24.07	1.27	10.15	205.4
East Interior	IL, IN, KY(West), MS	Mid-Sulfur Bituminous	All	20.9	22.54	1.07	5.6	205.0
		High-Sulfur Bituminous	All	78.4	22.85	2.63	6.35	204.7
		Mid-Sulfur Lignite	Surface	2.8	10.14	0.95	14.11	213.5
West Interior	IA, MO, KS, AR, OK, TX(Bit)	High-Sulfur Bituminous	Surface	2.0	22.74	2.05	21.55	204.4
Gulf Lignite	TX(Lig), LA	Mid-Sulfur Lignite	Surface	36.4	13.39	1.21	14.11	213.5
		High-Sulfur Lignite	Surface	6.5	11.79	3.04	15.28	213.5
Dakota Lignite	ND, MT(Lig)	Mid-Sulfur Lignite	Surface	30.0	13.26	1.13	8.38	218.8
Western Montana	MT(Bit and Sub)	Low-Sulfur Subbituminous	Underground	0.2	19.80	0.60	5.06	209.6
		Low-Sulfur Subbituminous	Surface	26.6	18.32	0.38	5.06	213.4
		Mid-Sulfur Subbituminous	Surface	17.6	17.07	0.80	5.47	213.4
Northern Wyoming	WY(Northern Powder River Basin)	Low-Sulfur Subbituminous	Surface	183.5	16.80	0.37	7.08	212.7
		Mid-Sulfur Subbituminous	Surface	4.1	16.16	0.73	7.55	212.7
Southern Wyoming	WY(Southern Powder River Basin)	Low-Sulfur Subbituminous	Surface	264.1	17.57	0.31	5.22	212.7
Western Wyoming	WY(Other Basins excluding Powder River Basin)	Low-Sulfur Subbituminous	Underground	3.5	18.78	0.65	2.19	206.5
		Low-Sulfur Subbituminous	Surface	5.3	19.05	0.45	4.06	212.7
		Mid-Sulfur Subbituminous	Surface	7.1	19.31	0.83	4.35	212.7
Rocky Mountain	CO, UT	Low-Sulfur Bituminous	Underground	48.7	23.12	0.47	3.82	205.1
		Low-Sulfur Subbituminous	Surface	7.7	20.38	0.42	2.04	212.7
Arizona/ New Mexico	AZ, NM	Low-Sulfur Bituminous	Surface	8.4	21.68	0.52	4.66	207.5
		Mid-Sulfur Subbituminous	Surface	18.3	18.39	0.89	7.18	208.8
		Mid-Sulfur Bituminous	Underground	7.0	19.03	0.70	7.18	208.8
Alaska/ Washington	WA, AK	Mid-Sulfur Subbituminous	Surface	1.5	15.48	0.24	6.99	210.0

N/A = not available.

\*Indicates that quantity is less than 50,000 short tons.

Source: Energy Information Administration, Form EIA-3, "Quarterly Coal Consumption Report—Manufacturing Plants"; Form EIA-5, "Quarterly Coal Consumption and Quality Report, Coke Plants"; Form EIA-6A, "Coal Distribution Report—Annual"; Form EIA-7A, "Coal Production Report", and Form EIA-923, "Power Plant Operations Report". U.S. Department of Commerce, Bureau of the Census, "Monthly Report EM-545." U.S. Environmental Protection Agency, Emission Standards Division, *Information Collection Request for Electric Utility Steam Generating Unit, Mercury Emissions Information Collection Effort* (Research Triangle Park, NC, 1999). B.D. Hong and E.R. Slatick, "Carbon Dioxide Emission Factors for Coal," in Energy Information Administration, *Quarterly Coal Report*, January-March 1994, DOE/EIA-0121 (94/Q1) (Washington, DC, August 1995).

The Energy Improvement and Extension Act of 2008 (EIEA) passed in October 2008 as part of the Emergency Economic Stabilization Act of 2008. Subtitle B provides investment tax credits for various projects sequestering CO<sub>2</sub>. These provisions are assumed to result in 1 gigawatt of advanced coal-fired capacity with carbon capture and sequestration by 2017 in the *AEO2010* reference case. Subtitle B also extends the phaseout of payments by coal producers to the Black Lung Disability Trust Fund from 2013 to 2018 and is also modeled in the *AEO2010*.

Title IV, under Energy and Water Development, of the American Recovery and Revitalization Act of 2009 (ARRA), provides \$3.4 billion for additional research and development on fossil energy technologies. This includes \$800 million to fund projects under the Clean Coal Power Initiative (CCPI) program, focusing on projects that capture and sequester greenhouse gases. In July 2009, a total of \$408 million, was allocated to two projects, the Basin Electric Power Cooperative's Antelope Valley Station in North Dakota and the Hydrogen Energy Project in California, to collectively demonstrate the capability to capture 3,000,000 tons of carbon dioxide per year. In December 2009, three additional project awards were announced through the CCPI program and will receive part of their government funding through ARRA. These projects include American Electric Power's Mountaineer plant in West Virginia (235 megawatt flue gas stream), Alabama Power's Barry plant in Alabama (160 megawatt flue gas stream), and a new plant to be built by Summit Texas Clean Energy in Texas. To reflect the impact of this provision, the *AEO2010* reference case assumes that an additional 1 gigawatt of coal capacity with CCS will be stimulated by 2017.

Title XVII of the Energy Policy Act of 2005 authorizes loan guarantees for projects that avoid, reduce, or sequester greenhouse gasses. For *AEO2010*, The 2 gigawatts of advanced coal-fired capacity with carbon capture and sequestration assumed for EIEA and ARRA are also assumed to benefit from these loan guarantees.

Beginning in 2009, electricity generating units of 25 megawatts and greater are required to hold an allowance for each ton of CO<sub>2</sub> emitted in 10 Northeastern States as part of the Regional Greenhouse Gas Initiative (RGGI). The States participating in RGGI include Connecticut, Maine, Maryland, Massachusetts, Rhode Island, Vermont, New York, New Jersey, New Hampshire, and Delaware. RGGI is modeled in *AEO2010* as an emissions reduction for the Middle Atlantic region.

## Coal Alternative Cases

### Coal Cost Cases

In the reference case, coal mine labor productivity is assumed to decline on average by 0.3 percent per year through 2035 while miner wage rates and mine equipment costs remain constant in 2008 dollars. Eastern and Western transportation rates are flat and 5 percent higher, respectively, in 2035 compared to 2008. In two alternative coal cost cases, productivity, average miner wages, equipment cost, and transportation rate assumptions were modified for 2010 through 2035 in order to examine the impacts on U.S. coal supply, demand, distribution and prices.

In the low mining cost case, coal mine labor productivity is assumed to increase at an average rate of 3.2 percent per year through 2035. Coal mining wages, mine equipment costs, and other mine supply costs are all assumed to be about 25 percent lower by 2035 in real terms in the low coal cost case. Coal transportation rates, excluding the impact of fuel surcharges, are assumed to be 25 percent lower by 2035.

In the high mining cost case, coal mine labor productivity is assumed to decline at an average rate of 3.0 percent per year through 2035. Coal mining wages, mine equipment costs, and other mine supply costs are assumed to be about 30 percent higher by 2035. Compared to the reference case, coal transportation rates are assumed to be 25 percent higher by 2035.

The low and high coal cost cases represent fully integrated NEMS runs, with feedback from the Macroeconomic Activity, International, supply, conversion, and end-use demand modules.

### ***No Greenhouse Gas Concern Case***

In the reference case, to reflect the market reaction to potential future GHG regulation, a 3-percentage-point increase in the cost of capital for investments in new coal-fired power plants without carbon capture and sequestration technology and new coal-to-liquids plants is assumed. Those assumptions affect cost evaluations for the construction of new capacity but not the actual operating costs when a new plant begins operation nor does it affect the operation of existing plants. This adjustment was first implemented for *AEO2009*.

The No GHG concern case excludes the 3-percentage point increase in the cost of capital.

## Notes and Sources

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[1] Energy Information Administration, The U.S. Coal Industry, 1970-1990: Two Decades of Change, DOE/EIA-0559, (Washington, DC, November 1992).

[2] Stanley C. Suboleski, et.al., Central Appalachia: Coal Mine Productivity and Expansion, Electric Power Research Institute, EPRI IE-7117, (September 1991).

[3] The estimated cost of switching to subbituminous coal, \$0.10 per million Btu (2000 dollars), was derived by Energy Ventures Analysis, Inc. and was recommended for use in the CMM as part of an Independent Expert Review of the Annual Energy Outlook 2002's Powder River Basin production and transportation rates. Barbaro, Ralph and Seth Schwartz. *Review of the Annual Energy Outlook 2002 Reference Case Forecast for PRB Coal*, prepared for the Energy Information Administration (Arlington, VA: Energy Ventures Analysis, Inc., August 2002)

[4] Hong, B.D. and Slatick, E.R. "Carbon Dioxide Emission Factors for Coal," Energy Information Administration, Quarterly Coal Report, January-March 1994, DOE/EIA-121 (94/Q1) (Washington, DC, August 1995).

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