

November 2016

## North America Coal Market Service

### Could a Trump presidency revitalise the US coal industry?

The United States is less than a week away from the next presidential election and many US coal miners are wondering how the results of the election will impact them. Each candidate has been courting the coal miner vote as it could make a big difference in coal producing swing states; such as, Ohio, Pennsylvania, Colorado, and Virginia. However, the candidates have very different views on how to best help coal miners. Clinton is focused on helping displaced miners with retraining programs, while Trump claims he could help to restore the coal industry and put miners back to work.

Wood Mackenzie maintains no opinion on the US election but we expect that revitalising the US coal industry would be a difficult task due to a variety of factors. The primary factors would be the new economic realities of coal competing with natural gas and improved efficiencies in coal production. However, there are several steps a President Trump could take to stabilize the industry and slow its decline.

## Nine steps a President Trump could take to help the US coal industry

Trump's declarations have created debate within an industry that desperately needs some support. He is not the first presidential candidate in history to promise big, but is a resurgence in US coal even possible? We review measures a President Trump could take to stabilize the coal industry and slow its eventual decline.

There are things a President Trump could do to support the coal industry. Knowing that a less burdened and lower-cost coal product will stabilize demand and slow its decline, a future President Trump could help coal by:

### **Modifying the 'endangerment finding'.**

The so-called 'endangerment finding' is the legal underpinning for much of currently proposed US environmental regulation, including the Clean Power Plan (CPP) and plans to tax CO<sub>2</sub>. A Trump administration could review the Obama EPA's finding. A new finding more favourable to coal would remove the underpinning for much of EPA's planned action.

### **Ending all administration work on non-final environmental rules affecting coal.**

Trump could order his administration to end all activity on draft environmental rules or those undergoing court challenges which would end legal defence of the CPP and the Clean Water Act (relates to the definition of 'waters of the United States').

### **Rolling back existing coal-impacting EPA regulations.**

Trump could review all EPA rules and eliminate those that impose "any undue cost" on business. Although difficult, and most certainly an action that would involve the courts, an attempt would send a message of support to coal miners.

### **Phasing out subsidies for renewable energy.**

Were Trump to support a unification of subsidies for mature solar and wind technologies into a single short-term subsidy, he would provide coal with the opportunity to compete on a level playing field where it makes economic sense. For more on this topic, please see our insight: The US Wind Energy Production Tax Credit – time for a change.

### **Refusing to ratify the COP21 agreement.**

Trump could refuse to ratify the Paris COP21 agreement, thereby reducing the likelihood of its viability. For more about this subject, see our insight: Permanent US ratification of the COP21 agreements not a certainty.

### **Ending the moratorium on federal coal leasing.**

Trump could instruct the Secretary of the Interior to end the Obama administration's review of the federal leasing program. Western coal miners in the PRB and in Colorado and Utah would be free to pursue new leases for their operations under existing rules. For more about this issue, see our insight: Impact of a federal coal lease program reset.

### **Reducing federal severance, royalties and tax rates.**

With a fully Republican Congress, Trump would be empowered, were he so inclined, to lower the federal impact on coal by reducing federal tax and royalty rates on coal.

### **Transferring environmental policy dominance back to the states.**

Trump, were he president, could endeavour to weaken federal dominance on environmental issues. He could act to limit the so-called 'sue and settle' practice, whereby the EPA chooses to negotiate with a claimant rather than going to court. He could set a different EPA tone by installing a new EPA Administrator – one opposed to sue and settle practices.

### **Ending the government review of self-bonding practices.**

If elected president, Trump could instruct the OSM to end its self-bonding review. Mining companies would be relieved of the extra financial burden were self-bonding to be eliminated.

## Some Trump campaign promises will be difficult to deliver

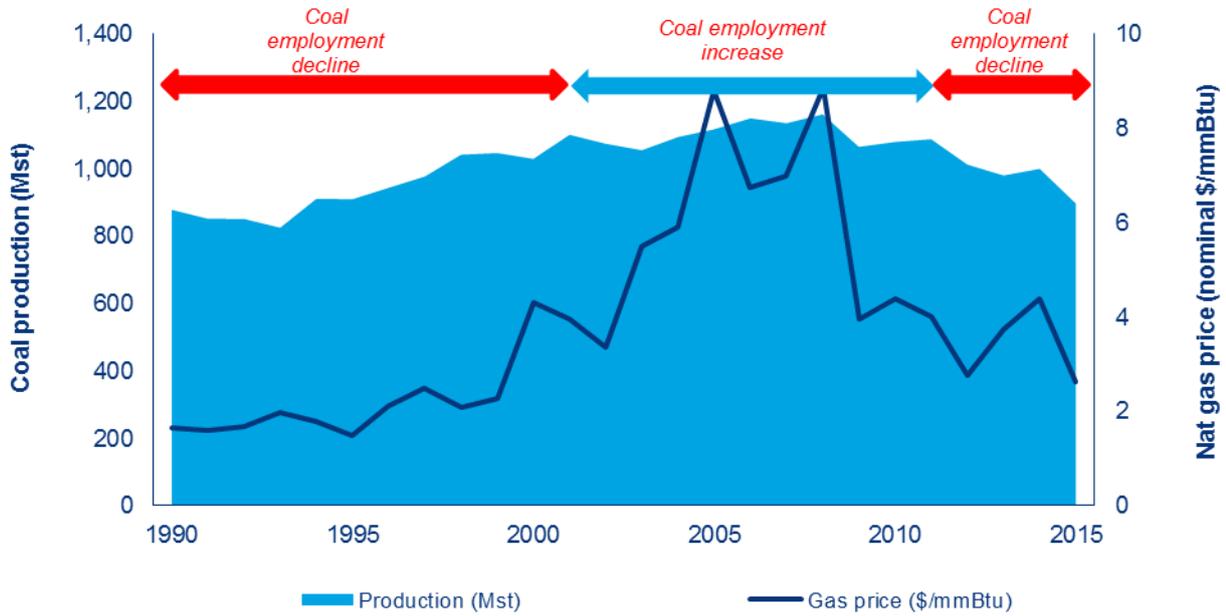
While Trump means to help, he may not have the means to help. A divided US citizenry is similarly reflected in its divided government, leaving the president just one reliable tool in his arsenal – sole executive action. But, while executive action is a tool often used by presidents, it is rarely used to address highly significant and contentious issues, since any action taken by one president can easily be undone by the next.

Still, precedent is being set for using executive action on big environmental issues. 3 September 2016, President Obama used an executive agreement to ratify the Paris accords. In this way, it seems, the people's energy and environmental

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business gets done, then undone, then done again, and so on. The coal industry is attached to the end of the yo-yo of presidential action.

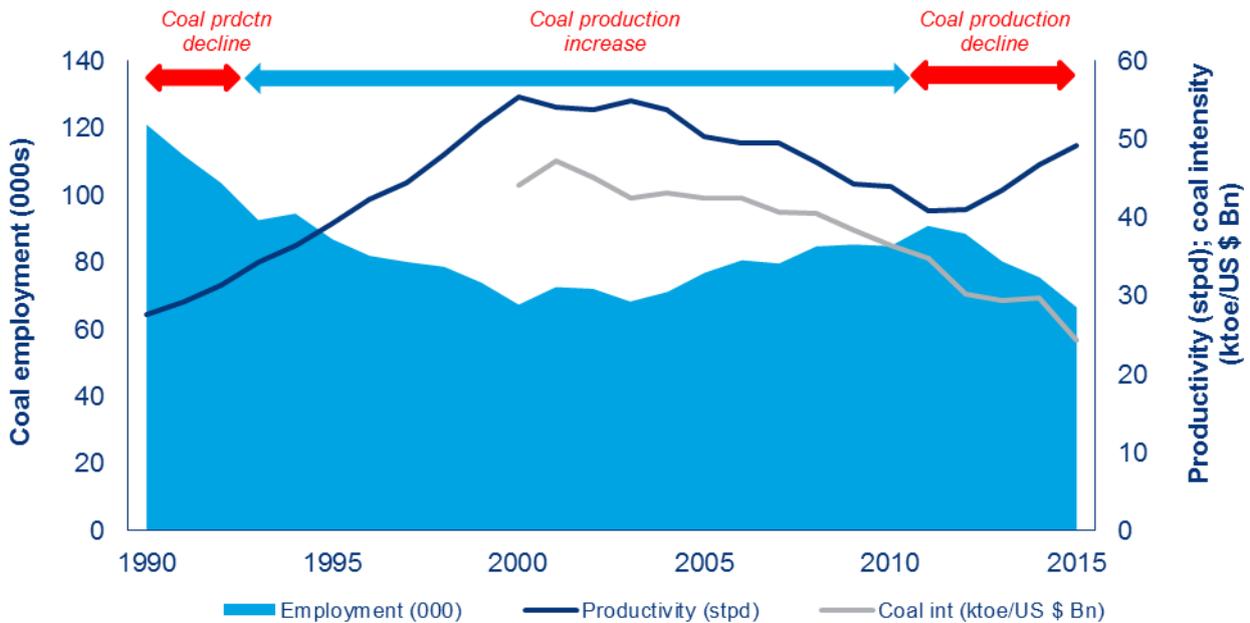
## US coal production and natural gas price



Source: Wood Mackenzie, EIA

Mr. Trump is a powerful personality, possibly able to alter the dialogue and shift policy, for a time. But would a President Trump be powerful enough to alter the future for coal? In addition to the political issues, he'll face a trifecta of strong technical headwinds – rising coal mine productivity, low cost energy alternatives like natural gas and growing US energy efficiency increasingly inclusive of renewables.

## US coal employment and productivity and coal intensity



Source: Wood Mackenzie, EIA

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US energy production is evolving. Natural gas and renewables are taking market share from an increasingly less labour-intensive coal industry serving a progressively less energy-intensive global economy. This is a recipe for coal industry decline that makes long odds for industry renewal. It is this situation that a President Trump would seek to alter. There are steps he could take to improve coal's fortunes. But, to make his campaign coal promises more than empty rhetoric he'll need to use all his persuasive power and make judicious use of executive action. And he'll need more than a little luck. For more detailed information, please visit [www.woodmac.com](http://www.woodmac.com).

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