

Energy & Environment Policy
December 6, 2011

Coal Markets at the Crossroads

Environmental Policy Playbook – What's in Play Today?

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Please refer to Appendix –
Important Disclosures and Analyst Certification on page 9.



Introduction

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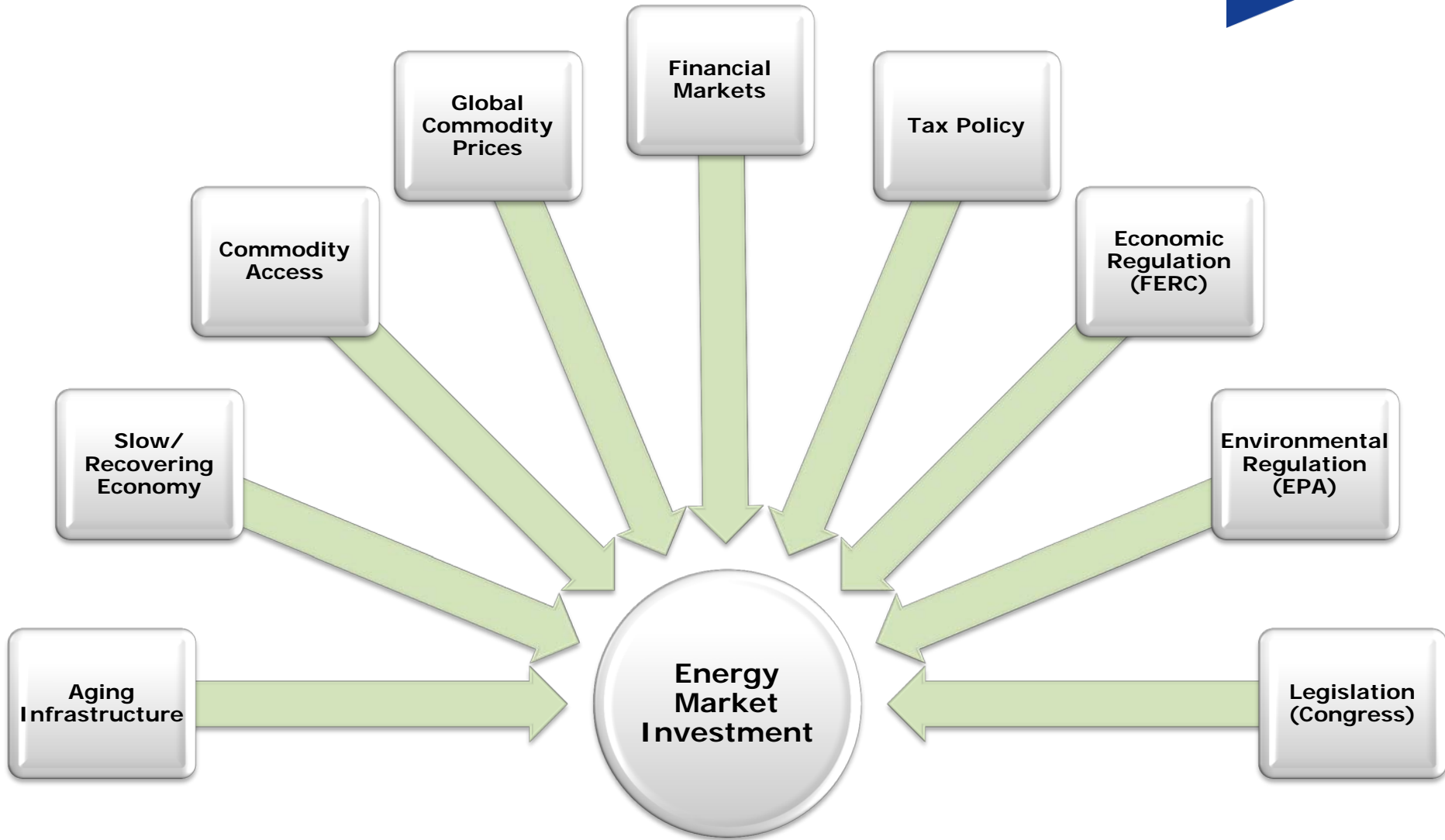
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Adding Value with Policy Analysis

- Federal legislation, regulations, and politics impact public and private companies
 - Shapes/changes assumptions
 - Increases/transfers costs
 - Limits/drives growth
 - Creates problems/opportunities
- Top down, macro approach complements bottom up fundamental research
 - Utilities
 - Clean Tech
 - Upstream Oil and Natural Gas
 - Engineering & Construction
 - Industrials



What's Shaping Energy Markets?



The U.S. EPA and Coal

- “Push to Undo Bush” Agenda
- Legislation to establish cap-and-trade program for greenhouse gases (GHGs) failed.
- Environmental Protection Agency (EPA) still views GHG emissions as a problem.
 - Seeks to lower oil consumption
 - Corporate average fuel economy standards
 - Renewable fuels standards
 - Seeks to lower coal consumption
 - More aggressive mining regulation
 - More aggressive electric utility regulation



Litigation Well Underway

- Mountaintop mining “guidance” case (*NMA v. EPA*, 10-cv-1220)
 - Partial summary judgment granted October 6
 - EPA responses to amended complaints filed December 1
 - Oral arguments next year
 - Resolution to permit backlog unclear in spite of court successes
- Oral arguments in *Mingo Logan v. EPA* (10-cv-541)
 - Held November 30
 - Additional argument may be required
 - EPA’s position questioned by judge












Power Market Regulation by EPA

- No GHG legislation, but EPA notes it realizes significant GHG reductions as it reduces conventional pollutants (NO_x , SO_2 , and $\text{PM}_{2.5}$)
- Significant retirements expected beginning now through January 2015
 - Utility Air Toxics Rule (Utility MACT, proposed, final due December 16)
 - *Cross State Air Pollution Rule* (final, but litigation for stay likely decided by December 31)
 - Coal combustion residuals rule (proposed)
 - Cooling water intake rule (proposed)



Influences on Power/Emissions

"Cheap" shale gas		Offsets higher coal prices
EPA regulations on generation		Retirements tighten capacity
Pollution control investment		Higher costs, tighter capacity
Replacement generation		New plant costs more than old
Sluggish economy		Lower / slower-growing demand
Litigation risk		Slower implementation timelines
Political pushback		Slower implementation timelines
Potential regulator "flexibility"		Slower implementation timelines
2012 Elections		Lighter or more aggressive regulation?

Appendix – Important Disclosures and Analyst Certification

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