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# Market, Cheap Gas Hurting Coal

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On the day after Election Day, Bob Murray, CEO of Murray Energy, the coal-mining company that owned the mine in Utah in which six miners and three rescuers were killed in a collapse in 2007, laid off 163 workers. The reason? President Obama's "War on Coal."

This year, domestic coal production is expected to be down about 10 percent from the banner year of 2007, and Murray and other industry leaders blame the retirement of old coal plants resulting from Obama-era regulations. But they're going after the wrong enemy. It's not regulations that are hurting coal so much as the market's vagaries and the abundance of cheap natural gas from the drilling boom that began a decade ago.

Coal has long been America's favorite source of electricity, and regulations haven't diminished that. The Clean Air Act of 1970 forced a few plants to clean up their stacks, but didn't dampen demand. The 1990 amendments to that act clamped down more. Instead of hurting the coal industry, they just encouraged Eastern coal plants to start using low-sulfur coal – opening a huge market for coal from the West, which is rife with the stuff. By 2007, the United States was burning twice as much coal as it did in 1973.

Yet changes were afoot. Natural gas turbines were improved in the 1990s to become more efficient and cheaper to build, and between 2000 and 2010, natural gas-generating capacity grew by 96 percent. In the meantime, the drilling boom, driven by new fracking and drilling technology, resulted in a glut of natural gas, dropping the price enough to be competitive with coal on a per-megawatt-hour basis – something to be used all the time, not just during times of peak power demand.

Utilities that had natural gas generators at their disposal started using them, reducing coal's share of electricity generation to its lowest level in decades. Utilities faced with upgrading their old coal plants are choosing, instead, to replace them with natural gas generators, because it makes more economic sense to do so. Industry analysts predict that this will result in between 59 and 77 gigawatts of coal power going offline by 2016.

Sure, pressure from environmentalists and the EPA contributed to the planned shutdown of five coal-fired units at power plants in northern New Mexico. The EPA's mercury emissions limits were finally put in place after languishing for a decade, and a proposed carbon dioxide emissions cap would make it virtually impossible to build a new coal plant without carbon-capture technology.

These regulations aren't new. They are leftovers from previous administrations. Nor do they amount to a declaration of war. To the contrary, a commentary by fellows at the libertarian Cato Institute declared that conservatives should be euphoric, since the administration could have enacted far stricter regulations – targeting existing coal plants rather than just new ones.

In fact, Obama has even handed coal a few gifts. His Interior Department has opened more land to leasing, approved Oxbow's exploratory work for a major expansion in Colorado and exempted some mines from that state's version of the Clinton Roadless Rule. Obama delayed his own EPA's smog rule, and the EPA continues to stall on coal ash disposal regulations that have been on the table since Clinton was in office.

The big question is whether coal is really in decline. While earnings are down for some companies, the big ones in the West seem to be doing just fine. And while U.S. coal demand may be down, U.S. coal mines are shipping record amounts of it to Europe, China and Japan. Peabody Energy's profits have done nothing but go up since Obama was first elected, even during the recession. Arch Coal isn't quite as healthy, but it has posted profits, even during the so-called war. And coal companies showed they had plenty of money to spend on politics.

Peabody and Arch have spent $36 million on lobbying since 2008, and Oxbow Corp., which belongs to Bill "the other brother" Koch, donated $3.75 million this year to the Restore Our Future Super PAC, a major source of funding for Mitt Romney's campaign.

As for Murray Energy, because it's not a publicly traded company, its financials are kept under wraps. But it can't be hurting too badly: In September, less than two months before laying off all those workers, it donated $100,000 to American Crossroads PAC, while Bob Murray and his relatives gave nearly $200,000 more to various Republican candidates. Coal company executives may call it a War on Coal, but when you look closely at the facts, it just seems like a publicity campaign.

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