

Coal Trader

Thursday, June 23, 2011

Platts Daily OTC Assessments, trade date Jun 22

Standard Product	JUL 11	Ch.	AUG 11	Ch.	Q3 11	Ch.	Q4 11	Ch.	Q1 12	Ch.	CY-12	Ch.
CAPP barge OTC	77.00	0.25	77.10	0.35	77.10	0.35	77.50	0.00	79.25	(0.15)	81.80	0.25
CAPP rail (CSX) OTC	77.50	(0.50)	78.00	0.00	78.00	0.00	78.00	0.00	79.50	0.25	81.50	0.25
PRB 8,800 OTC	13.25	0.00	13.25	0.00	13.25	0.00	13.55	0.00	14.05	0.00	14.80	0.00
PRB 8,400 OTC	11.30	0.00	11.35	0.00	11.35	0.00	11.65	0.00	12.05	0.00	12.75	0.00

The four assessments in this table were renamed effective Dec. 20, 2010; the underlying specifications and methodology were not changed, and remain the same as the Coal Trading Association specifications. CAPP barge OTC was previously named NYMEX 12,000/≤1%; CAPP rail (CSX) OTC was CSX 12,500/1%; PRB 8,800 OTC was PRB 8,800/0.35%; and PRB 8,400 OTC was PRB 8,400/0.35%.

Analysts bullish on Alpha merger despite coal equities' decline

Two sell-side firms released reports in the last two days strongly approving of Alpha Natural Resources' recent merger with Massey Energy.

Brean Murray Carret & Co.'s report reflected the firm's "quite positive" conference call with the ANR executives Tuesday night. Analysts Jeremy Sussman and Lucas Pipes emphasized three main points.

First, Alpha CFO Frank Wood assured the firm that a share buyback is a top priority, especially due to the company's sagging share price. Second, the analysts report that the merger is being implemented smoothly, and that Alpha is receiving positive feedback from former Massey employees on its safety emphasis. Lastly, the analysts said that Alpha is redeploying former

Massey labor away from less-profitable thermal coal mines into higher-margin metallurgical coal mines.

Brean Murray has a buy rating on the company at a target share price of \$77. ANR shares closed at \$43.61 in Wednesday trading.

Dahlman Rose & Co. analysts also predicted that the Alpha/Massey merger
(continued on page 7)

Bill advances to limit EPA action on CWA

Legislation limiting the Environmental Protection Agency's ability to intervene with water quality standards and Clean Water Act permits at the state level cleared the House Transportation and Infrastructure Committee Wednesday.

H.R. 2018, the Clean Water Cooperative Federalism Act of 2011,

requires that states concur with actions taken by EPA, such as changes in state water-quality standards, and places time lines for agency comments on Section 404 permits issued by the Army Corps of Engineers for discharges from mining operations.

"By creating wholly new criteria and
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OTC Broker Index

Coal Product Specifications	May Final Monthly Average	Jun Final Monthly Average	Jul Daily Assessment	Daily Change	Q3 2011 Assessment	Daily Change	Q2 Average
NYMEX look-alike - 12,000 Btu/lb. -1%	76.08	75.82	77.20	0.15	77.09	(0.27)	73.67
CSX BS/K - 12,500 Btu/lb. -1%	69.45	68.04	77.77	(0.23)	78.01	(0.15)	74.32
PRB - 8,800 Btu/lb.	12.37	11.77	13.25	0.00	13.18	(0.01)	13.90
PRB - 8,400 Btu/lb.	10.54	9.99	11.25	0.00	11.19	(0.01)	11.61
CAPP 1% vs. Compliance spread	0.93	0.92	0.60	(1.53)	0.99	(1.05)	0.78

This index is done in cooperation with Evolution Markets, ICAP United, and TFS Energy. Today's index had 3 contributors. For comments or questions, e-mail: coal@platts.com. *To view Broker Index Methodology, visit: www.platts.com and click the "Coal" tab.

environment. The Council of Environmental Quality establishes criteria for the preparation of an EIS.

Holmes said OSM still is committed to producing a draft EIS and proposed rule before the end of 2011.

Executive Order 12866 requires a RIA for all economically significant rulemakings, those that may have an annual economic impact in excess of \$100 million, Holmes said. While the EIS includes an economic analysis, it may differ from the RIA since different baselines and alternatives may be used.

“Our goal is provide the most information and most accurate information possible. An RIA just makes sense,” Holmes said.

— Beth Ward

fuel oil, biomass and refinery gas to produce steam used to generate electricity or heat.

In May, EPA issued a stay of the rules for major sources and certain incinerators until the reconsideration process was completed or legal challenges have been decided by the courts.

Committee Chairman Fred Upton, a Michigan Republican, came out in support of the bill, calling it “regulatory common sense.”

“This bill gives EPA the time it needs to write rules that make sense, and it gives businesses, schools, and other affected facilities the time they need to put the rules into action,” Upton said in a statement.

— Beth Ward

EMISSIONS

House bill moves to delay industrial boiler rules

Eight members of the Energy and Commerce Committee of the House of Representatives introduced legislation Wednesday that would delay Environmental Protection Agency rules to limit hazardous air pollutants from industrial boilers.

“Without regulatory relief, EPA’s current rules endanger hundreds of thousands of jobs nationwide by forcing plant shutdowns and relocation of American manufacturing and jobs overseas,” the members said in a statement.

H.R. 2250, the EPA Regulatory Relief Act of 2011, gives EPA at least 15 months to re-propose and finalize new rules for industrial boilers, extends compliance deadlines from three years to five years, directs EPA to include definitions in the final rules that allow sources to use “a wide range of alternative fuels,” and directs EPA to ensure the new rules are achievable by real-world boilers.

The committee is also working on legislation to slow EPA utility boiler regulations. “The committee is still considering legislation to address utility MACT rules,” committee press secretary Charlotte Baker said in a Wednesday email. “There is still no specific timetable for that legislation.”

Original cosponsors on H.R. 2250 include Republican representatives Morgan Griffith of Virginia, Cathy McMorris Rodgers of Washington, Pete Olson of Texas, Mike Ross of Arkansas and Steve Scalise of Louisiana. Democratic cosponsors include G.K. Butterfield of North Carolina, John Barrow of Georgia and Jim Matheson of Utah. All serve on the House Energy and Commerce Committee.

Earlier this year, EPA released final rules for National Emission Standards for Hazardous Air Pollutants for major sources such as refineries and area sources such as hospitals and prisons. The standards set hazardous air pollution limits for new and existing industrial and commercial boilers, requiring them to use maximum achievable control technology. The rules apply to boilers that burn coal, natural gas,

Ga. plant’s price tag \$3.6 bil: Opponents

An 850-MW coal-fired plant proposed by a group of six Georgia cooperative utilities will cost \$3.58 billion, nearly \$1.5 billion more than estimated, and will lead to sharply higher retail electricity rates for the co-ops’ customers, according to a report sponsored by project opponent Georgia Watch.

Tom Sanzillo, financial adviser at T.R. Rose Associates, a New York-based public policy consulting firm, said co-op customers served by the proposed coal unit would see annual rate increases of 10% to 20% once the unit begins operating in 2017 or 2018, as well as additional rate hikes tied to any carbon tax the federal government may implement.

A residential customer using 1,000 KWh/month served by the co-op group, known as Power4Georgians, would see average annual increases of \$258 in his electric bill, Sanzillo said, or more than 10 times the \$24/year increase that the co-ops have estimated.

The study said the more than 150 coal-fired projects canceled since 2007 serve as “a red flag warning to new coal plant proponents. Credit markets and the financial community now see these investments as non-starters,” adding that natural gas-

Platts US daily assessments, Jun 22

	Bid	Offer	\$/allowance	Change	\$/st
SO2					
2011	1.00	3.00	2.00	0.00	4.00
2012	1	3	2.00	0.00	4.00
2013	1	3	2.00	0.00	4.00
NOx					
Bank	13.00	20.00	16.00	0.00	16.00
2011	13	20	16.00	0.00	16.00

The bank NOx reflects vintages from 2009 and prior. Under the Clean Air Interstate Rule that took effect January 1, the US Environmental Protection Agency will no longer discount allowances for the NOx bank. EPA, however, will discount SO2 allowances. Now, two SO2 allowances will equal one short ton of emissions. For methodology, visit www.emissions.platts.com. Please send contributions to the Platts’ daily assessments of the SO2 and NOx markets to emissions@platts.com

fired units are more economical given current gas prices.

Officials with Power4Georgians were not immediately available for comment.

— *Housley Carr*

Analysts ... *from page 1*

will go better than investors fear, but lowered its price target on Alpha from \$72 to \$68 a share.

Dahlman's view of Alpha came in a report released late Tuesday that reiterated the sell-side firm's belief that coal equities as a whole are in for a sharp increase and the current pull-back in the sector gives investors a favorable entry point.

In the report, the sell-side firm reiterated its buy ratings on Alpha, Arch Coal, Peabody Energy, Consol Energy and Walter Energy. Since US coal equities have declined 23% since their April 1 high, Dahlman analysts Daniel Scott and Chris Turnure believe this decline in share prices should not lead investors to think anything is wrong with the underlying companies and the coal market.

Dahlman said that US coal equities are now on average trading at a multiple of 5.5 times 2011 estimated EBITDA. This compares with a range of six to eight times EBITDA in 2010.

Furthermore, Dahlman said the re-emergence of Australian met producers in the market has had an insignificant effect on prices. In the thermal market, the analysts see a reduction in German and Japanese nuclear power helping coal prices in the medium- to long-term outlook, and India and China supporting prices in the near term.

Following last year's strong showing in the thermal export market with 80 million short tons exported, Dahlman seconded producers' consensus figures of 100 million st in 2011.

— *Henry Clay Webster*

Bill ... *from page 1*

new time lines for Clean Water Act permits and stubbornly insisting, from on high, that the states adhere to them, the EPA is imposing its own will and its own interpretations of water quality standards on the states," Representative Nick Rahall, a West Virginia Democrat, ranking member of the committee and cosponsor of the bill, said during the hearing.

One of the provisions of the bill restricts EPA's ability to veto Corps-issued Section 404 permits, unless the state concurs with the veto. Earlier this year, EPA had revoked a permit issued to Arch Coal's Spruce No. 1 Mine in Logan County, West Virginia, a move that outraged coal-state lawmakers who said the permit already was approved by the Corps and the West Virginia Department of Environmental Protection after a 10-year vetting period.

"The reason this is so important is that [EPA] has set a

bad precedent," said Representative Bob Gibbs, an Ohio Republican and chairman of the Subcommittee on Water Resources and Environment, citing the agency's action on the Spruce permit.

The bill, introduced last month, would also prohibit EPA from withdrawing approval of a state water quality permitting program or limiting financial assistance to the program because EPA disagrees with the state about the program, or the implementation of any guidance that directs a reinterpretation of the state's approved water quality standards (*PCT 5/31*).

Some Democrats were concerned that the bill would prevent EPA from ensuring states implement updated water quality standards, and that lower standards in one state could impact the water quality in another state.

Representative Tim Bishop, a New York Democrat, said the bill has "far-reaching implications" that the committee has not had enough time to examine.

"Unfortunately, the majority of the language in the bill has not been thoroughly addressed," Bishop said during the hearing. He added that the Subcommittee on Water Resources and Environment has a hearing scheduled for Friday that deals with many of the issues included in the bill.

Bishop introduced an amendment that would prevent the bill from applying to waters that are considered a public drinking supply, provide flood protection, are a valuable fish and wildlife habitat and are coastal recreational waters.

Committee Chairman John Mica, a Florida Republican and cosponsor of the bill, opposed the amendment, saying it "basically destroys the underlying bill."

Bishop's amendment failed on a voice vote.

An amendment introduced by Representative Shelley Moore Capito, a West Virginia Republican, was approved by a voice vote. The amendment added a section to the bill making it apply to pending permit applications and revised or new standards being promulgated when the bill is enacted.

A second amendment offered by Capito was withdrawn. The amendment was similar to legislation Capito introduced last month that requires EPA to take into account the impact on jobs and the economy before issuing regulations, policy statements, guidance, or granting or denying a permit (*PCT 5/16*).

H.R. 2018 passed the committee with a 35-19 vote, mostly along party lines. Democrats Rahall, Jason Altmire of Pennsylvania, Leonard Boswell of Iowa, Jerry Costello of Illinois and Tim Holden of Pennsylvania voted in favor of the bill while Republican Timothy Johnson of Illinois voted against the bill. Holden and Altmire are among the 33 cosponsors of the bill.

— *Beth Ward*

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