Presentation Of

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Before the
Platts 37th Annual
Coal Marketing Days Conference

Murray Energy’s Strategies for Succeeding in Transitional Coal Markets

September 22, 2014
Pittsburgh, Pennsylvania
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Good morning, Ladies and Gentlemen. Thank you for inviting me to give this presentation at the Platts 37th Annual Coal Marketing Days Conference.

First, I have been asked to provide brief information on the current status of Murray Energy Corporation (“Murray Energy”).

We today consist of twelve (12) large active underground coal mines in six (6) states, Illinois, Kentucky, Ohio, Pennsylvania, Utah and West Virginia. We operate thirteen (13) longwall mining units and forty-six (46) continuous mining sections and currently employ 7,400 persons. We should produce about 65,000,000 tons of all underground mined, high heating value coal worth about $3.6 billion in 2014, with possible increased output thereafter.

We also design and build virtually all of our own mining machinery at four (4) locations in Illinois, Kentucky, Ohio, and West Virginia. Further, we currently operate eleven (11) large coal preparation plants, five (5) barge transloading facilities and twenty-three (23) river tow boats and over six hundred (600) barges on the Allegheny, Monongahela and Ohio River systems.

In the late 1980’s, environmental alarmists and liberal politicians and elitists attempted to scare us with the terrible consequences of “acid rain”. Today, their platform is “global warming”. They were successful in getting major legislation passed in 1990 that changed the American coal industry. The Clean Air Act of 1971 was amended at that time to reduce sulfur dioxide, nitrous oxide, mercury and particulate matter emissions from coal-fired power plants. This required a sulfur dioxide gas emission limit of 1.2 lbs of SO₂/mmBtu in 2000, with an interim step of a reduction to 2.5 lbs of SO₂/mmBtu in 1995, which was at the behest of the low sulfur coal mining interests in an attempt to virtually eliminate the high sulfur coal industry.

In 1987, I left the Chief Executive Officer position at The North American Coal Corporation, after thirty-one (31) years of service there, to found my own companies. I believed that the only way to achieve the sulfur dioxide, nitrous oxide, mercury and particulate matter reductions then being discussed, but not enacted until 1990, would be only through the installation and implementation of scrubbers, or some kind of clean coal technology, on virtually all of America’s coal-fueled power
plant fleet. I thus drew concentric circles, like a bow target, out from every power plant in the Country that I thought was a candidate for a scrubber, and we acquired the closest high heating value coal for which that boiler was designed. Where we had water or truck transportation, thus avoiding unreliable and high cost railroads, our concentric circles became concentric ellipses, thus allowing us to reach out further from the power plants that we believed would be scrubbed to acquire the most attractive high heating value coal, irrespective of the sulfur contents. My planning horizon when I drew the concentric ellipses was the year 2005, seventeen (17) years hence, as I believed that the strategy of installing scrubbers would be completed by that date. Indeed, the coal-fired electric utility industry did thus react to the predicted Clean Air Act Amendments, which were passed in 1990, as I predicted.

Today, this same concentric ellipse strategy will make Murray Energy and Subsidiary Companies, to a great extent, immune to the destruction of the United States coal industry by President Barack Obama and his appointed bureaucrats and elected supporters. Indeed, a study recently released by the United States Chamber of Commerce states that electric power generation in America could be only be fourteen percent (14%) coal-fired by 2030, down from fifty-two percent (52%) prior to the election of President Obama and the current Democrats in Congress.

Murray Energy has the best seams of coal, utilizes the very productive longwall mining method, and is connected to base loaded, scrubbed power plants with water and truck transportation. These power plants can never be serviced adequately by natural gas due to price and supply volatility, lack of storage, and the impossibility of getting adequate pipeline capacity to the plants. Further, we underground mine in the most environmentally acceptable manner and produce the lowest cost high heating value coal available. On top of this, we manufacture our own equipment, employ eleven (11) state-of-the-art large coal preparation plants, and operate our own barging fleet.

The acquisition of Consolidation Coal Company by Murray Energy last December fit right within the concentric ellipses that I drew in the 1980’s, as these five (5) Mines use longwall mining techniques, have high heating value coal, and are largely connected to their markets by water transportation and dual railroad trackage rights. Our coal reserve holdings are now about four (4) billion saleable tons of this hottest coal in America.

The focus at Murray Energy is on operating very safe coal mines, with a particular emphasis on fire protection and emergency preparedness, in which we are very innovative and advanced. The health and safety of all of our employees is foremost.
Regarding the current and near term markets for both thermal and metallurgical coals, there are a number of experts scheduled on this program to speak to them. In Murray Energy’s opinion, contrary to some recent public coal companies’ statements, there is absolutely nothing on the horizon that makes us think positively about coal demand and prices through 2015, and, perhaps beyond, depending on interim events, in both the domestic and international coal markets. Murray Energy is a private company and is not concerned with our stock price, and we are planning for a somewhat reduced coal marketplace, in terms of prices and demand, through, at least, next year, with only a possible slight improvement in the years beyond.

But, all of our plans are at risk. The efforts to wreak the total destruction of the United States coal industry by President Barack Obama, his appointed cabinet bureaucrats, and his supporters in the U. S. House and Senate are rapidly accelerating. Mr. Obama has totally usurped the legislative branch of our federal government in his radical agenda against coal and reliable, low cost electric power. Further, the courts act too slowly for the judicial branch to be effective in stopping the regulatory rampage against our industry and livelihoods.

Unconstrained by law, science, economics, and reality, since 2009 the Obama Environmental Protection Agency (“EPA”) has used regulations that we project will close 411 coal-fired power generating units in America through 2016, with the loss of about 100,000 megawatts of our lowest cost electricity. This is the four (4) cent per kilowatt hour electricity, while the Obama Administration promotes wind and solar power, which cost twenty-two (22) cents per kilowatt hour and get huge subsidies from the taxpayers.

In these illegal actions, which I call a political power grab of America’s power grid, the Obama Administration has not only by-passed Congress, but also the Federal Energy Regulatory Commission and, particularly, the States and their Public Utility Commissions, which are empowered to regulate the availability and cost of electricity, a staple of life. This puts the Obama EPA in charge of our electricity supply. How better to wrest control of our Country!

This elimination of low cost, reliable coal-fired, four (4) cent per kilowatt hour electric power will hurt our citizens on fixed incomes and our poor the most. According to the U. S. Chamber of Commerce, the increased cost of electricity will consume an average disposal income of $2,100 per American household. The folks in our lowest ten percent (10%) economic level will pay three (3) times more than the highest ten percent (10%) for their electricity. Also, with the elimination of low cost electricity, our manufacturers will not be able to compete in the global marketplace.
But, this is only part of this horrible story. During the polar vortex in January and February, the PJM Interconnection, which supplies electric power to sixty-one (61) million Americans in thirteen (13) states, came within 700 megawatts of reducing loads. Indeed, the Obama EPA has forced the closure of 7,150 megawatts of power in the American Electric Power (“AEP”) system on April 16, 2015, and AEP was pulling on this generation at eighty-nine percent (89%) during the polar vortex.

Yet, China, which has been building a new 500 megawatt coal-fired plant every week for years, will burn 4,300,000,000 tons of coal this year. All of this destruction will have virtually no benefit to the environment or so-called global warming. Indeed, if all of the coal-fired power plants in the United States were closed, the world’s temperature would only change by two hundredths of one percent (0.02%), and the earth has been cooling for the last seventeen (17) years!

Murray Energy has filed four (4) lawsuits against the Obama EPA. We have been joined in them by nine (9) states in amicus filings. This week and last, two (2) Federal courts, including the U. S. Court of Appeals for the Districts of Columbia and the Northern West Virginia District Court, upheld our lawsuits by overriding EPA motions against them and allowing them to proceed. Our lawsuits are the first in the Nation to potentially invalidate the entire ESPS Rule on so-called “greenhouse gases”. Also, our Company is participating in two (2) other lawsuits against the Obama EPA with thirteen (13) states.

The insane, regal Administration of King Obama has ignored science, economics, our poorer citizens and those on fixed incomes, our manufacturers, and the Constitution, as it has by-passed our Congress. There must be a change in control of the United States Senate on November 4!

But, the ESPS rules applied to America’s power plants are only some of the ways that the Obama Administration and his Democrat supporters are attempting to shut down the coal industry. They are pushing forward in other, lesser known, ways to destroy us.

One of the new rules promulgated by the Obama Department of Labor (“DOL”) and Mine Safety and Health Administration (“MSHA”) is the requirement to reduce coal dust in the mine atmospheres from 2mg/m³ to 1.5mg/m³. Murray Energy engaged the best health and engineering experts in the world, who spent $2 million and studied this requirement and so-called coal miner pneumoconiosis for two (2) years. The results of the studies show that there is no health benefit whatsoever to a coal miner in reducing the coal particle size from 2mg/m³ to 1.5mg/m³. What the studies did show is that the 1.5mg/m³ standard cannot be achieved with an underground longwall shearer or continuous miner unit, and that there is no current technology to even reliably measure the 1.5mg/m³ limit. These
studies were given to the DOL and MSHA, and they ignored them, as this is just another blatant attempt by Mr. Obama and his appointees to eliminate the use of coal. MSHA’s perceived dust measurements commenced in August, with impossible consequences, and the equipment, made by only one manufacturer, and the procedures dictated by MSHA are unworkable.

If this weren’t enough, at the beginning of his first term, Mr. Obama appointed a person to the position of Director of the federal Office of Surface Mining (“OSM”) under the Department of Interior (“DOI”), who was involved in closing down a coal mine that we owned in Pennsylvania when he was a ranking official of the Pennsylvania Department of Environmental Protection (“PADEP”). Notwithstanding that our Company received a permit from the PADEP in 2001 to longwall mine the entire reserve at Maple Creek Mining, Inc. (“Maple Creek”), on November 10, 2004 I received a call from the agency advising that they were not going to allow us to mine the fifth (5th) longwall panel. They said that this was because there was an “ephemeral” coal stream on the surface above this fifth (5th) panel, which was really a dry ditch. We were forced to lay off 550 coal miners at the Mine, and we still have every penny of the $130 million in debt, on which we have paid interest since 2004, that we spent in building the Mine relying on our permit to mine the reserve, which was issued to us by the PADEP in 2001. But, it is critical that you know that the individual involved in this retroactive financial and job destruction was appointed by Mr. Obama five (5) years ago, early in his Administration, to Director of OSM to see that the DOI accomplishes these illegal retroactive mine closures nationwide. The rule is to now be issued in April, 2015. Further, as part of this, these bureaucrats have just extended the definition of “waters of the United States”, which Congress meant in the Clean Water Act to be “navigable waters” to virtually every square inch of the Country.

Furthermore, the Obama Administration is now proposing regulations to capture methane from mine exhaust fans. This is generally not feasible and certainly uneconomical. Also, the Obama EPA, by usurping the U. S. Corps of Engineers and the respective State regulatory programs, has shut down our ability to get permits to operate our mines, and particularly for coarse refuse and slurry impoundments. We have made no progress in getting some of these needed permits in the six (6) years of the Obama Administration, and without these approvals, we have no place to put our waste rock and slurry, and our mines will thus be closed.

The regulations issued by the Obama EPA alone in the past five (5) years total 25,000,000 words on 25,000 pages. This is thirty-eight (38) times the length of our Holy Bible!

Under President Obama’s Clean Power Plan, announced on June 2, he and the USEPA are proposing a thirty percent (30%) reduction in carbon dioxide (“CO₂”) emissions from the “fossil fuel-fired” power fleet by 2030, as measured on a 2005
EPA’s proposal is based on a formula that has different targets for different states based on previous state actions and their current energy mix. The carbon intensity formula for each state is based on:

- Improving heat rates at existing coal-fueled power plants by six percent (6%). These measures are already in place, and more would be extremely difficult and expensive.
- The utility operating any natural gas facilities at a seventy percent (70%) capacity factor. There is no technical basis for this, and it exceeds historic averages and all infrastructure capabilities.
- The utility adding new renewable generation and retaining existing nuclear plants. This exceeds the economic renewable potential of most states.
- The assumption of a one and one-half percent (1.5%) demand side energy efficiency improvement by the utility customers every year. The least efficient coal plants are already retired. Past EPA rules will make plants less efficient due to retrofits.

This is a total and dangerous power grab by the Obama EPA, as there will be no additional generating capacity unless approved by the EPA. Again, this is a bypass of states and their utility commissions, which are charged with assuring reliable and low cost electric power supplies.

A recent study on the President’s Clean Power Plan shows:

- $354 billion in increased energy costs between 2020 and 2030.
- $53 billion in capital expenditures for replacement power in this time frame.
- Wholesale electricity prices increasing by about $8.00 per kilowatt hour for the foreseeable future, which is a twenty-five percent (25%) to thirty percent (30%) increase.
- The loss of about 230 million annual tons of coal burn by 2020, about 160 million tons from the Powder River Basin, 11 million tons from the North Appalachian region, 30 million tons from the Illinois Basin, and 27 million tons from the Uinta Basin.

What are the other outcomes of the Obama EPA’s proposed carbon regulations?

- This proposal will have virtually no effect on the global climate.
- The EPA is claiming health benefits for reducing ozone and particulate matter, pollutants that already are tightly regulated under the Clean Air Act, which is “double counting”.

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The proposal is an attempt to restructure the electric power grid that will lead to great unreliability, less diversity, and much higher electricity costs.

“The Administration chose political expediency over practical reality as it unveiled energy standards devoid of common sense and flexibility”, states the American Coalition for Clean Coal Energy.

The Obama EPA proposals are a huge indirect tax and wealth redistribution scheme across the states, with low income citizens disproportionately bearing the costs.

The proposal is about rewarding Mr. Obama’s friends and punishing his enemies.

This proposal is just that and does not carry the force of law.

This proposed United States restrictions will be rewarded by increased emissions in other parts of the world.

The Obama Administration has usurped the United States Congress and Constitution with its illegal rule promulgations.

To all of this, AEP stated that the Obama EPA proposal “has unrealistic requirements with unworkable implementation”. The Company added that, in its service territories, much of the required reductions in emissions would need to be satisfied by increasing efficiencies and renewables use to levels that cannot be achieved. AEP also further stated “No state in their right mind would try to come up with an emissions trading program under this construct because there is too much room for EPA to second-guess them”. Again, we have the usurping of State Utility Commissions and the FERC functions by the Obama EPA.

On April 8, FirstEnergy Corporation President and Chief Executive Officer Tony Alexander stated that the Obama “war on coal” (his words) is “designed to achieve a social agenda that has little, if anything, to do with maintaining electric service, and is undermining our nation’s competitive position”.

Mr. Michael J. Kormos, Executive Vice President of the PJM Interconnection told the U. S. Senate on April 10 that “coal in many parts is being replaced by demand-response. Demand response occurs when customers respond to the directive from PJM to curtail their use of electricity.

Mr. Phillip Moeller, a member of the Federal Energy Regulatory Commission, expressed his alarm by stating “We got a lot of power plants that are going to be shutting down (on April 16, 2015) ...Almost all of them were running as best they could during the cold snap. And, so if that isn't a sobering wake-up call to policymakers, nothing short of a massive blackout would be.”

We must understand that the Obama EPA is under the direction of the Sierra Club, Natural Resource Defense Council, and other NGO’s. Many of the
Obama EPA appointees came from the radical environmental groups. Recent investigations by independent parties are revealing likely illegal collusion between these NGO’s and the Obama government, as well as the violation of our federal tax laws, particularly by the Sierra Club.

The coal industry not only has strong opponents in the Obama Administration, among most Democrats, and from radical environmentalists, Hollywood characters, liberal elitist and some unions, some of the Country’s largest electric utility companies have demonstrated their opposition to continued coal usage for electricity generation. They have done this to achieve market advantages, and some of them are Exelon Corporation, Calpine Corporation, and Dyergy, Inc. We do not believe that their advocacies are in the best interests of our Country.

Through the Obama term, Republicans in the U. S. House of Representatives have sent hundreds of pieces of legislation to reign in the Administration’s regulatory rampage, and particularly the war on coal. All of these Bills have immediately died in the Senate.

The Obama White House is deploying to officials who are outside of the U. S. EPA to respond to criticisms of the agency’s proposed Clean Power Plan rule. Mr. John Podesta, the global warming henchman hired by Mr. Obama, has repeatedly stated that Congress cannot stop Obama from unilaterally enacting their flawed and destructive policies. Remember, “I have a pen and a phone”, said Mr. Obama. They ignore the sixty-one percent (61%) electric rate increase in Germany when they enacted Mr. Obama’s green policies, and that that country and Japan are now building coal-fired generating stations.

Now we have another United Nations climate summit looming. The Obama Administration is pursuing what it calls an “accord”, rather than a treaty, which our Congress has refused to approve. As in all other “summits” held since the 1990’s, it will not result in any binding agreement handicapping the United States in the world markets, although the Democrats are still trying. It will result in another round of coal bashing, with the resultant negative impacts to our industry.

The global climate scare is purely political and not based on any science. Consider that:

- According to NASA satellites and all ground-based temperature measurements, global warming ceased in the late 1990’s. This when CO₂ levels have risen almost ten percent (10%) since 1997. The post-1997 CO₂ emissions represent an astonishing thirty percent (30%) of all human-related emissions since the Industrial Revolution began. That we’ve seen no warming contradicts all CO₂-based climate models upon which global warming concerns are founded.
• Rates of sea-level rise remain small, and are even slowing, over recent decades, averaging about one (1) millimeter per year as measured by tide gauges and two (2) to three (3) millimeters per year as inferred from “adjusted” satellite data. Again, this is far less than what the alarmists suggested.

• Satellites also show that a greater area of Antarctic sea ice exists now than any time since space-based measurements began in 1979. In other words, the ice caps aren’t melting.

• A 2012 IPCC report concluded that there has been no significant increase in either the frequency or intensity of extreme weather events in the modern era. The NIPCC 2013 report concluded the same.

Through all of this, publicly traded U. S. coal companies lost about two-thirds (2/3) of their market value since April, 2011. Some companies have been totally erased by bankruptcy or significant liquidity problems, and other probable coal company financial failures have been identified by us.

The United States has the finest electricity system in the world, with prices half of those in Europe. But, this system is under attack from the Obama government’s foolish policies. We are truly “running on empty”.

Regarding the forthcoming election, Politico’s latest poll shows that only two percent (2%) of likely voters in competitive House and Senate races listed the “environment” as the “top problem”. “Jobs” and “the economy” ranked first with voters, combined at twenty-five percent (25%), with “national security” at nineteen percent (19%).

But Mr. Obama’s actions are a human issue to me, as I know the names of many of the Americans whose jobs and family livelihoods are being destroyed as he appeases his radical environmentalist, liberal elitist, Hollywood character, some unionist, and other radical and irrational constituents. These Americans, you see, are my employees and their fellow workers.

These good Americans only want to work in honor and dignity. But, when their jobs and those of their neighbors are eliminated in the coal mining areas of America, they have no one to sell their homes to, which are generally their only possession. Thus, these people are prohibited from working and fall to the negative side of the economic ledger for the rest of their lives. This is not the America that I have always cherished!

Well, despite President Obama telling us in his State of the Union address and many times since that he will use more unilateral authority to bypass Congress, elected representatives, and U. S. Constitution to carry out his agenda against coal, I am obviously not giving up. Nor should you. We have the law,
science, economics, cold hard energy facts and the Constitution on our side. Our cause is right. It is right for our industry, communities, and America. We must use these realities to fight our opponents’ intent on destroying coal for their own bizarre personal and political ends. We must continue to do whatever we can to overcome the insanity of our current government.

Thank you for your invitation to speak this morning.

MURRAY ENERGY CORPORATION

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