

## MCPA Inaugural Meeting Draws Over 200

The Metallurgical Coal Producers Association (MCPA), formerly the Virginia Coal and Energy Alliance (VCEA) held its Inaugural Meeting at Stonewall Resort, Roanoke WV on May 21-24, 2022 and drew over 200 registered attendees. The purpose of the organization is to promote **Met Coal Makes Steel** and the theme of the meeting was *Rebound in the Market*.

The meeting began with the Opening Dinner on the Sunday evening with the Speaker being Ben Beakes, President, MCPA, whose subject was “The Future of Metallurgical Coal”. MCPA was formed in September 2020 and comprises five leading met coal producers: Alpha Metallurgical Resources, Ramaco Resources, Coronado Global Resources, Metinvest and Robindale Energy.

“We want our friends in the thermal industry to thrive,” said Beakes, “but there is another message from coal and that is **Met Coal Makes Steel** and we are on a path to educate law makers, policy makers and the general public.” The Association’s members last year produced 29.2 million tons, which is 46% of met coal production. Members have 63 coal mines and 6,500 employees with average annual earnings of over \$85,000. There are 105 companies who are members.

Some 72% of the product was exported in 2021 and met coal outpaces thermal coal on the export market. Prices are strong and member companies are exercising a disciplined approach to the market and looking at long-term partnerships, while the situation with the railroads continues to be challenging. With regard to all met coal, 60% is exported through Norfolk, VA, 17% through Mobile, Al, and 15% via Baltimore, Md. So, the economic effect is felt not only in Central Appalachia.

“We need policy makers to understand that there is another side to coal and we hope to be successful for many years to come. Say it loud and proud: **Met Coal Makes Steel!**” said Beakes.

**Monday, May 23, 2022**



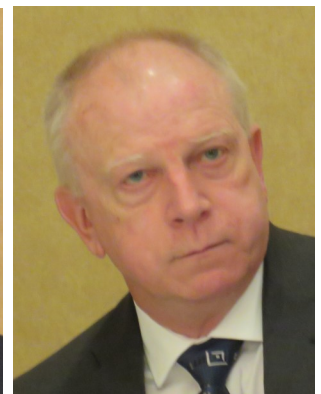
Ben Beakes



David J. Stetson



Aurelia Giametto



Jeff Bitzer



J.P. Richardson



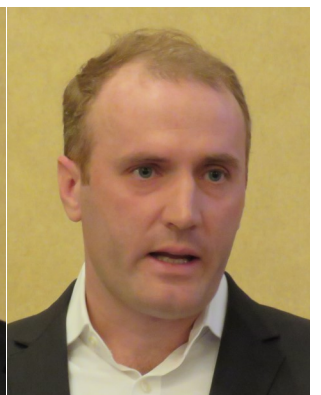
Scott Korh



Shelley Moore Capito



Bill Murray



Lucas Pipes

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Ricardo J. Torres

Courtney Siffre

On the Monday, the day began with a Prayer from The Honorable Travis Hackworth, Virginia Senate. This was followed by the Welcome from David J. Stetson, Chairman of MCPA and then the MCPA Executive Panel Discussion moderated by Ben Beakes. The panel comprised David J. Stetson, Alpha Metallurgical Resources; Aurrlia Giacometo, Ramaco Resources; Jeff Bitzer, Coronado Global Resources; J.P. Richardson, Metinvest; and Scott Kroh, Robin-dale Energy.

The panel was asked a number of questions the first being why they started MCPA. The answer was to get the message out **Met Coal Makes Steel**. The second question was what guided decision making through Covid and the health and safety of employees was the universal answer. In answer to what new challenges and opportunities were there compared to twenty years ago, the list included worker development, railroads preventing coal from getting to market, and challenges with banks and bonding.

The matter of the environment was discussed and panelists agreed that things have gone backward with the Biden administration. The last question was what lessons can be learnt from the past? One panelist emphasized be willing to innovate and look for new products and markets for coal such as rare earth elements and building materials. Better communication is needed. In final thoughts, items discussed were the workforce, the railroads, education, communication, and the global perspective.

The Special Guest Speaker of the morning was The Honorable Shelley Moore Capito, U.S. Senate (R-WV).

With the Infrastructure Bill, she said that there would be an enormous amount of construction work with building and fixing bridges that will require steel with met coal being critical for the country. Buying American would work for us as during Covid we had no masks, testing material and syringes and realized this vulnerability. Capito referred to the Abandoned Mined Lands that needed to be made safe and would require more construction. Attempts have been made to move CCUS forward but we are not there yet. Senator Capito announced she has hired Bill Bissett as a senior staff member, whom everyone in coal knows.

In a segment of the meeting called More Than Energy, Bill Murray, Dominion Energy, said there were opportunities for Virginia and West Virginia to cooperate in the energy field. He mentioned the successful Virginia City Hybrid Center where biomass and gob coal were co-fired. The U.S. is an energy super power and should act like it, he said.

Lucas Pipes, B Riley Securities, gave an interesting presentation. U.S. coal capitalization is presently \$18.6 billion and coal stocks still lack interest. The world is full of uncertainties, he said. There would be continued engagement with ESG and fundamental realignment. The very high prices of met coal will be gone very soon. The low vol met coal price on Friday was \$525 per ton and Pipes is published at saying it will be \$175. He now thinks that after the elevated prices have subsided, the price will be closer to \$145 per ton.

Ricardo J. Torres, CSX Corp. said that railroad demand has gone to record levels and the labor market is the monkey wrench in the works. Every reasonable option is being employed to solve the problem and Torres is optimistic that his company are turning the corner in this area. Courtney Sippy, Norfolk Southern Corp. also said that labor challenges were the elephant in the room and financial incentives were being employed to get and retain labor. Norfolk Southern were working to improve service, increasing productivity and continuing to see growth by looking at in-



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creasing train sizes, asset utilization and on- time delivery.

One vocal speaker from the audience thanked the speakers for coming but said his blood pressure was increasing due to the fact he was mining more coal but could not get it to the market. He was tired of hearing excuses from the railroads and urged immediate action. Shortage of railroad cars was a major problem for the coal industry and he asked that the speakers take that message back to their superiors.

**Tuesday, May 23, 2022**



Bob Cline



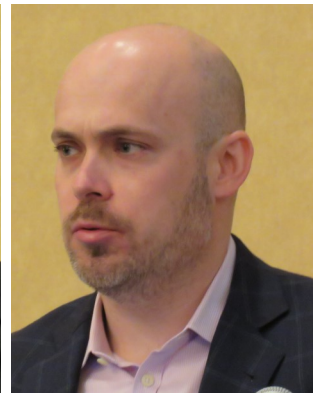
Clark Lewis



Brooks Smith



Ernie Thrasher



John Suter



Cyril Martinand



Roger Nicholson



Christopher Anderson



B.J. Sturgill

The MCPA Board of Directors met the previous evening and it was announced that the new Chairman was Bob Cline, Vice President, Business Development/Engineering, Coronado Global Resources. “We need to continue to build to be a stronger force for the coal industry,” said Cline, who outlined a few goals for the Association:

1. Strengthen outreach to be more vocal, teach younger kids and continue the job on social media. Stand steady for the mission.
2. Grow the organization with more memberships. Communicate and network. Grow this Conference beyond 200 attendees.
3. Develop the workforce. Individual companies are doing this now but there is strength in numbers and we need to work together.
4. Need to have a strong stance with the legislature and push harder.

“This is a great organization and with leadership everyone will be working together more,” said Cline. “Thank you for coming. We appreciate you being here.”



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The next item on the agenda was the MCPA Government Affairs Panel. The panel comprised Clark Lewis, Troutman Pepper, Virginia's Political Outlook; Ben Beakes, President MCPA, West Virginia's Political Outlook; and Brooks Smith, Troutman Pepper, States and Federal Environmental Outlook. Lewis said that the Governor in Virginia has the power to appoint members of Boards and urged MCPA members to take the opportunity.

Beakes said that in West Virginia there has been a transformation with Republicans in control with super majorities in both the House and Senate. Joe Manchin is the only Democrat left. A goal of MCPA is to get legislators underground to see the modern technology in action. Smith said that the Biden Administration is rolling back all the modernizing of environmental matters that had been implemented during the previous four years. Environmental justice and the new green economy were the challenges of the day.

Market Overview – Met Coal and Steel Outlook was the name of the next session and the first speaker was Ernie Thrasher, CEO and Chief Marketing Officer, XCoal Energy & Resources. The total seaborne market for both met and thermal coal is 1.3 billion tons, said Thrasher. Some 114 million tons of Russian coal is sanctioned or about to be sanctioned or not bought by countries that hate what Russia has done by invading Ukraine. Where these countries are going to get their coal from is unclear.

When Covid is over, China is likely to pour money into the economy and the global economy will improve again. This will help the demand for steel but it should be noted that an increasing percentage of steel is produced by electric arc furnace. Also, it takes about ½ ton of met coal for every 1 ton of steel produced and CO2 is of concern so CCUS will find wider application in the steel industry. Thrasher concluded by saying that despite the rhetoric, the only way to keep the lights on in Europe is to burn more coal.

Johnston Suter, Jeffries Group was the next speaker. The financial health of the sector has significantly improved and for the last 12 months tremendous cash flow has been generated. Producers have been smart and have taken that cash and de-levered the balance sheet. Looking ahead there is uncertainty with the situation with the Russian war in Ukraine, global inflation and coming out of Covid. The biggest challenge is ESG but there is a group of investors who do not have ESG restrictions.

There will continue to be challenges for the coal sector in accessing capital markets, primarily driven by ESG, but also by the uncertain economic environment. There will be opportunities with investors who will have an interest in deploying cash into the space. Ultimately, maximizing access to capital for coal producers is really going to come down to a few key factors:

1. Being as flexible as possible on timing.
2. To be prepared to launch when financing windows do open.
3. Willingness to explore creative solutions and maybe not focused on the traditional avenues for accessing capital.
4. Having a clear and concise investor marketing strategy. Why you need this money and what it's going to do for your business.

"Importantly, I would encourage coal producers to take advantage of the present pricing environment and strengthen their balance sheets as much as possible as we continue to face these uncertain times," concluded Suter.

The last speaker in the session was Cyril Martinand, Cleveland-Cliffs, Inc. who said he agreed that CCUS is the way to go in steelmaking. The panelists discussed future met coal prices and Johnston Suter gave his prediction that if we see a global recession, then we'll see prices below \$200 per ton. If we are able to navigate the current situation and avoid a global recession, then he sees prices staying in excess of \$250 per ton for a while.

The meeting concluded with the MCPA General Council Roundtable which comprised: Roger Nicholson, Alpha Natural Resources; Paul Konstanty, Metinvest United Coal Co; Christopher Anderson, Robindale Energy & Associated Companies; Chris Meyering, Coronado Global Resources; and B.J. Sturgill, Ramaco Resources.



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Ted Trenney, Scott Frenz, Fenner Dunlop



Darrin Jenkins, State Electric Supply Co.



Julia Long Nancy Gentry, Regina Fairchild, Helga Gulley, Friends of Coal



Terry Sansom, Richwood



Paul Poljak, Somerset International



Bob McLuskie, Bob Cline, Mark Heath

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Andrew Dunford, David Graf, AMR/PEMCO