

Presentation of

**Robert E. Murray
Chairman, President and Chief Executive Officer
Murray Energy Corporation**

**The Ongoing Deliberate Destruction of the
United States Coal Industry**

**Before the
Virginia Coal and Energy Alliance
Southern States Energy Board**

**May 23, 2016
Kingsport, Tennessee**

The Ongoing Deliberate Destruction of the United States Coal Industry

Thank you for the invitation to speak at the Virginia Coal and Energy Alliance today.

My remarks are entitled “The Ongoing Deliberate Destruction of the United States Coal Industry”. I will summarize my remarks in this presentation, but a full copy of my text, which contains many current facts and figures, is available on my completion.

The carnage in the American thermal coal industry is, by far, the worst that I have seen in my nearly six (6) decades in it. Not only are coal companies financially reeling, but electric power producers cannot discharge their generating stations, and are facing years of uncertainty relative to planning and compliance issues.

United States coal production in 2015 was the lowest in the last thirty (30) years. There is economic depression and huge volatility almost everywhere in the World, and the outputs of our factories and mills continue to decline.

There are currently fifty (50) bankrupt coal companies in the United States. The prestigious McKinsey and Company just issued a study showing that, as whole, the United States coal industry is not only bankrupt, but that it also lacks \$45 billion in the funds needed to cover its debt and employee-related and reclamation liabilities.

Fitch ratings just reported that an “unprecedented peak” of forty-three percent (43%) of the coal sub-section has been drawn into financial default. These bankruptcies are dominos in the entire coal industry collapse. In this historic rout, over the past five (5) years the coal industry has lost ninety-four percent (94%) of its market value, from \$68.8 billion to \$4.02 billion.

Every bankruptcy depresses the value of the debts of all coal producers, including those who are financially surviving, and pushes them downward toward economic default. Most especially, the bankruptcy lowers the coal prices that we must compete with in the marketplace. This is because, in the coal company bankruptcies, the courts relieve the petitioner of its obligations for employee costs, wage agreements, if there is one, debt, and long term employee-related and some reclamation liabilities. Then these streamlined, lower cost coal producers, which have been relieved of their obligations to their employees, lenders, shareholders, and others, emerge from bankruptcy far more competitive in the coal marketplace, rarely ever closing a coal mine, because it is too expensive to do so.

This coal production should go away, but it is encouraged to remain by these bankruptcies. The companies emerging from bankruptcies operate what are now called “zombie mines” as they chase the ghosts of past coal markets. Thus, production does not decline, prices are depressed, and every coal company is dangerously threatened or pulled into this downward financial spiral.

Prior to the election of Barack Obama as the President, fifty-two percent (52%) of America’s electricity was generated from coal. The percentage is currently thirty-four percent (34%). We predict that it will decline to less than thirty percent (30%) of our power generation by the early 2020’s.

This is the four cent (4¢) per kilowatt hour (“KWH”) electricity at the buss bar. Mr. Obama and his bureaucratic appointees and political supporters are intent on replacing it with historically twenty-two cent (22¢) per KWH wind and solar power, not counting benefits of the four cent (4¢) per KWH subsidy from the taxpayer. They also urge the increased use of volatile natural gas, which has historically cost about fifteen cents (15¢) per KWH, but is much cheaper today.

In April of last year, natural gas replaced coal for the first time in the percentage of electric power generation. While the benchmark price of natural gas has been about \$2.15 per MCF, our coal has had to compete in this area against gas prices as low as \$0.89 per million Btu’s, and typically \$1.40 per million Btu’s, in Dominion South because of the glut of natural gas production from the local Marcellus and Utica Shale formations.

But, the increased use of natural gas is only one of the reasons for the drastically decreased utilization of coal for electricity generation. The primary reason is the war on coal from the regal, outlaw Obama Administration, with its appointed, unelected bureaucrats and political supporters. They have been bypassing the states and their electric utility commissions, United States House and Senate, Constitution, and the law by promulgating endless regulations that will drastically increase electricity costs, reduce the reliability of its supply, and greatly damage our Country. In 2008, Mr. Obama stated that he would “bankrupt” our industry. With the help of radical environmental organizations and liberal elitists, the Administration is accomplishing this.

The Obama Administration added 81,700 pages of new regulations in 2015. Rules from the Obama Environmental Protection Agency (“EPA”) alone now total over twenty-five (25) million words, thirty-eight (38) times more than those in our Holy Bible.

You are, no doubt, aware that there are two (2) regulations from the Obama Administration that will have devastating effects on the mining and availability of coal in our Country. The first is the proposed Stream Protection Rule (“SPR”) of the

Office of Surface Mining of the Department of Interior, which will prevent underground coal mining beneath any dry ditch on the surface. Murray Energy has our litigation ready to be filed on promulgation of SPR, now projected for July.

The second disastrous regulation is one issued by the Mine Safety and Health Administration of the Department of Labor, which reduces respirable dust emissions at underground mining faces from 2.0mg/m³ to 1.5mg/m³. This rule was promulgated notwithstanding that Murray Energy Corporation (“Murray Energy”), three (3) years ago, presented voluminous studies from the best independent health and engineering experts that this regulation would not have any effect on, or reduce, the rate of coal miner black lung disease, or pneumoconiosis; that this fine particle size cannot be accurately measured by any current device; and that it cannot be achieved by continuous mining and longwall shearer machines. Murray Energy has filed lawsuits against both Obama regulations, and legislation has also been passed in the House of Representatives to overturn the Stream Protection Rule, which Mr. Obama will likely veto. Here again, Murray Energy has filed litigation, which failed in the Federal Court in Atlanta and is now being appealed.

To date, President Obama and his supporters have closed 411 coal-fired power generating units, totaling 101,000 megawatts, for no environmental benefit whatsoever. Their so-called Clean Power Plan will eliminate 49,000 additional megawatts of coal-fired generation at an increased wholesale electricity cost of \$214 billion between 2022 and 2030 and increase electricity rates up to thirty-one percent (31%) in one-half of our states.

Reliable, low cost electricity is a staple of life today. But, it is being destroyed. Our citizens on fixed incomes will not be able to pay their electric bills, and manufacturers, whose products must compete in the global marketplace, will be forced out of business.

I call what is occurring “a political power grab of America’s power grid”, and it has nothing to do with climate change or the environment. These excuses are straw men for the Obama and Democrat agenda and political movement to achieve central government control, concentrated in Washington, D.C., of the availability, reliability, and cost of electricity, putting the U.S. Environmental Protection Agency (“EPA”) in charge of it. The Administration is totally bypassing the states and their utility commissions, the Congress, the Constitution, and law in the process.

To stop the Obama Administration in this effort, Murray Energy Corporation (“Murray Energy”) filed six (6) lawsuits against their Clean Power Plan. They are recognized as the leading cases against the EPA’s regulatory assault on reliable, low cost electricity and coal usage. Twenty-nine (29) states have joined Murray Energy in these lawsuits through amicus filings.

The Obama EPA has been “gaming” the implementation of the Clean Power Plan, by waiting to file it in the Federal Register until October 23, 2015, and demanding compliance by states and utilities in September, 2016.

Murray Energy requested a stay of the Cruel Power Plan from the U.S. Court of Appeals for the District of Columbia Circuit, as we received a moot opinion from the U.S. Supreme Court stopping the Utility MACT rules on July 29, 2015, after the EPA forced the closure of 411 coal-fired generating units. On January 21, the D.C. Appellate Court denied our stay, which we appealed to the United States Supreme Court. On February 9, by a 5-4 vote, the Supreme Court granted our stay halting the entire Clean Power Plan through mid-2017, and, hopefully, forever.

We will overturn the illegal Clean Power Plan, the entire foundation for the Obama Administration’s global warming legacy and his efforts at the recent United Nations Climate Convention in Paris, which was rooted in deceit and bribery. This is because we won the Utility MACT case based on the fact that the Obama EPA did not consider the cost of these regulations, as required by Section 321 of the 1971 Clean Air Act, as amended in 1990. This is one (1) of our six (6) arguments in the Murray Energy litigation against the Clean Power Plan. But, as in the case of the Utility MACT regulation, in the interim the Obama Administration is illegally attempting to urge compliance by the states and power companies before we can have our ruling.

The United States coal industry has formidable opposition. In a recent Court filing in another case that we have against the Obama EPA in the Northern District of West Virginia, the U. S. EPA stated that they have 217 bureaucrats working against Murray Energy in this one case, plus outside consultants. The Federal government has spent \$4 billion in public relations efforts since 2007, employing 3,092 outside public affairs professionals. Further, our government is spending \$4 billion every day on so-called climate change for administration, carbon trading, biofuels, and the renewable energy devices, such as windmills and solar panels. Extensive illegal collusion between our Federal bureaucrats and non-government radical environmental organizations have added to our woes. If this weren’t enough, some electric utilities, including Calpine, which has gas-fired plants, and Exelon, which has nuclear generations, have litigated and lobbied incessantly against coal use.

We also are aware that the European renewable energy mandate caused a fifty-five percent (55%) increase in residential electricity rates, and a twenty-six percent (26%) increase for industries; that Australia rapidly repealed its carbon tax after \$15 billion in damages to its economy in just two (2) years; that Canada’s electricity costs are skyrocketing after its abandonment of coal; that the twenty-seven (27) million of American households which have gross annual incomes of less than \$30,000 per year will find it difficult to pay their increased electric bills; and

that all of America's electric power grid operators have expressed extreme concern of the reliability of our power supplies if the Obama Clean Power Plan is not stopped.

And, we also know that one-half of the world's seven (7) billion people try to live without access to modern energy; that half the homes in India lack a single light bulb for heat, as well as light; and that 115 million Americans already qualify for energy assistance. The only way to deal with this world-wide energy poverty is through the increased use of fossil fuels, including coal.

Murray Energy has had a strategy to survive the destruction of the United States coal industry by the Obama Administration, Democrats, and the increased use of natural gas. It is based on our "concentric ellipse" strategy, which we developed in the mid-1980's to comply with the anticipated Amendments to the 1971 Clean Air Act, which were enacted in 1990. We focused on coal-fired electric power plants that were candidates for flue gas scrubbers needed to comply with these new restrictions on air emissions, and away from the low coal quality, high transportation cost Powder River Basin subbituminous coal, to which many electric utilities flocked at that time. We also directed our attention to high heating value, lower cost, underground longwall minable coal in close proximity to the targeted power plants. We emphasized lower cost barge/water and truck transportation over the use of railroads for the transportation of our high heating value, low cost, underground longwall mined coal to these generating stations.

Using this strategy, I sold or mortgaged virtually everything that our family had and began with the May 25, 1988 acquisition of one underground coal mine that was being closed. We have stayed with this concentric ellipse strategy, and on May 1, 2015, we peaked at 8,400 direct employees, although we have now been forced down to about 5,000 persons. We do operate fifteen (15) large longwall mines, fifteen (15) coal preparation plants, five (5) train/truck to barge transloading facilities, fifteen (15) tow boats, 500 barges, and four (4) mining machinery factories, all in the United States. We have two (2) mines, part ownership of a railroad, and a vessel loading port in Colombia, South America. We are scheduled to produce 68 million tons of processed coal in 2016, but markets are declining rapidly.

As the American coal markets for both thermal and metallurgical coals shrink further from the 1.2 billion ton per year level prior to the election of Mr. Obama to our predicted 600 million tons per year for steam coal only by 2020, Murray Energy, with our concentric ellipse strategy, is in a good position to survive.

All of the discussed efforts against coal are a human issue to me, as I know the names of many of the Americans whose jobs and family livelihoods are being destroyed by them. They are my employees.

These good Americans only want to work in honor and dignity. But, they are being prohibited from working and fall to the negative side of the Country's economic ledger for the rest of their lives. This is not the America that I have always cherished!

Well, 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 industries, communities, and America. We must use these realities to fight our opponents' intent on destroying coal and our wonderful electric power grid.

Thank you for your invitation to speak today.

MURRAY ENERGY CORPORATION

Robert E. Murray
Chairman, President
and Chief Executive Officer