



Energy Independence is Vital for National Security, Says Joe Craft, President & CEO, Alliance Resource Partners, L.P.



Joe Craft

“The importance of energy independence cannot be over-stated,” said Joe Craft, President and CEO, Alliance Resource Partners, in addressing virtually the WV Mining Symposium held on January 12, 2021 in Charleston, WV and presented by the West Virginia Coal Association. “This is the major issue and we’ve got to determine how we can educate the American people as well as our adversaries that this is serious. We are talking about the fundamental economic underpinning of our country. What has provided the wealth of this nation has been the low-cost energy from baseload generation whether it be nuclear, coal, natural gas or others - that we have provided to allow our manufacturing jobs to be successful. The wealth of our nation has been totally dependent on our ability to have low-cost energy.”

Craft shared a moment to show his appreciation for Bill Raney, who has been a giant in the industry, then spoke of the opportunities and the challenges. COVID-19 in 2020 dealt a significant blow with the demand destruction when the economy was closed. We rebounded once the economy began to reopen, but it continued to create tremendous uncertainty and we have it today.

“I want to give a shout-out to our coal miners. I want to give a shout-out to our suppliers. We were designated to be an essential industry when the economy closed and it has just been an amazing opportunity to watch how people responded to continue to show up every day and to continue to provide low-cost energy that our nation depends upon for its success,” said Craft. “I just concluded looking at our review of our safety stats, and we had the best safety record we've ever had in the history of our company by far. It's just a tremendous tribute to the dedication of our coal miners every day, and we just can't say enough about what they've been able to do in a very stressful time.”

Regarding coal markets for 2021, things do look a little bit more stable. At the same time, it appears that on the domestic side, customers continue to be very short-term in their focus, perhaps driven by the virus, the pandemic, the economy, the election, the weather, or whether it's natural gas. There is an unwillingness to extend into longer term contracts. Higher gas prices were expected with a little bit more robust buying for longer term. There are positive signs compared to a year ago. The weather seems to be cooperative and a Polar Vortex may revisit the United States. The global economy is trying to move and the discussion of infrastructure leads to some more optimism in the short-term as far as demand for coal and low-cost energy.

On the supply side, it's been muted and will continue to be muted back to the issues of uncertainty and how capital is deployed not knowing exactly what the policy is going to be in the United States, not knowing what ESG means, and not knowing how the banks respond. It's not only the coal but also in the natural gas and the petroleum sector.

We're seeing some demand among the EMP companies that live within their cash flows and not respond as rapidly as they have in the past when they see the WTI price start to move. With the improvement we are seeing, drilling rigs go up but we are also not anticipating the volume to go up. We heard earlier about global price and natural gas reaching close to \$20 MCF in Asian markets this week. So, there are positive signs in the short term back to supply and demand fundamentals. The export market has been a welcome surprise. Within the last couple weeks Alliance has booked quite a bit of tonnage in the thermal coal market.

The big issue of course facing the industry was discussed very well by other speakers this morning according to Craft. Senator Manchin and Senator Capito raised the very real issues very well and we're fortunate that Senator Manchin is in the position he's in with a strong voice. He can truly make a difference not only for the state of West Virginia and the industry, but for the country. The importance of energy independence cannot be overstated and it's reassuring to hear him speak of that as his number one issue whenever he addresses anyone. Every President since Jimmy Carter has said that it is the number one thing that we have to have for our own national security and yet we are having to ask the question, will the Biden Administration turn its back on that as if that's not a high priority? It's just unfathomable to have the Xcel pipeline, as an example, being a political football. It's obvious that people aren't thinking about the consequences of some of their policy when they advocate for things like the Green New Deal and some of the things that would just fundamentally change our economy. This threat is real!

President-Elect Biden talked in terms of unity when he gave his acceptance speech after the election. He talked about bringing the country together, a time of healing. He talked about it again after the January 5th election and when the control of the Senate went to the Democrats. We have to continue to talk on unity. We have to have hope that he follows that instinct and tries to achieve that. This country needs him to be successful in that. We're talking about freedom. We're talking about our economic viability. Our ability to have the wealth that we have so we can use trillions of dollars in an emergency situation like we did in 2020 and we're piling on

more in 2021. How can we do these emergency efforts with stimulus if we don't have wealth in our country, and if we don't understand how we got in the fundamentals? asked Craft.

“We will lose the basic freedoms that we enjoy today and that's a concern that I have as I get to see not only what it's done to our business, which is really significant and it's very much a large part of my life, but based on what I've been able to see in the position I've been in with my wife's responsibilities. This is serious stuff,” he said. “We cannot as an industry, as a country, approach these issues like it's just another election or it's just another year or that we can just do business the same old way we've always done it. We really need to lock arms and start providing that leadership to make a difference so that we can appreciate the freedoms we have, that come with being able to have the strong industrial base, and start thinking about the jobs that need to be created here in America to provide that national security.”

There are efforts to think in terms of pharmaceutical drugs that can help us through some situations and there are other factors with rare earth, etc. and we are going to have to think differently than the way we've been thinking in the past if we're going to try to protect our freedom for the future. “I do want to reemphasize what Joe Manchin said in the need for bipartisanship and the need to try to bring this country together is critical and that we are a major part of that as an industry that's right in the middle,” Craft said. “We need to think in terms of planning. We can be there but we need to work together to provide that leadership so that we can be there when needed. What is needed is the stability to bring us together, unity and freedom as well as focus on results. Not just focus on political issues to try to fire up people's base, what I mean is: it's time for action. It's time to get results.”