

DENVER POST

Colorado coal production drops on mining and market woes

By Mark Jaffe

The Denver Post

Posted: 08/27/2013 05:40:17 PM MDT

Colorado coal production — hit by mining problems and a soft market — has dropped sharply in the first half of 2013.

Production for the first six months was down 20 percent, to 11.45 million tons, compared with the same period in 2012, according to state figures.

Five of Colorado's nine operating mines reported production declines. Two mines that produced coal in 2012 aren't operating this year.

"We've had mines with operating challenges, but the market has not been that good," said Stuart Sanderson, president of the Colorado Mining Association.

The two largest production cuts came at Oxbow Mining LLC's Elk Creek Mine and Arch Coal Inc.'s West Elk Mine. Both mines are in Somerset.

There was a 78 percent drop in production — a cut of 1 million tons — at the Elk Creek Mine, which was hit by a fire.

"They are still dealing with a carbon monoxide issue," said Loretta Pineda, director of the state Division of Reclamation, Mining and Safety.

For St. Louis-based Arch, a weak coal market is figuring into its operations.

"We're running at lower volume levels in all operating regions due to current market conditions," Arch spokeswoman Kim Link said in an e-mail.

Arch's West Elk Mine reported a drop of a little under a million tons in production to 2.8 million tons, according to state figures.

Since 2007 U.S. coal consumption is down 24 percent as utilities switched to cheap and cleaner-burning natural gas.

Facing new federal clean-air regulations, utilities retired a record 57 aging, coal-fire power plants in 2012 to cut pollution, according to federal Energy Information Administration.

In 2015, another 61 coal-fired units are set to close, the EIA said.

Colorado production reached 28.8 million tons in 2012, according to state data.

"Government regulation and uncertain markets are taking a toll," Sanderson said.

The trend of replacing coal with natural gas and renewable energy isn't surprising, said Jeremy Nichols, director of WildEarth Guardians climate and energy program.

"Once utilities were asked to pay the true cost of coal, it isn't as competitive anymore," Nichols said.