

Appetites Growling Again for Alabama Coal



A Walter Energy supervisor oversees operations at one of the company's two underground coal mines in Alabama. Located in Tuscaloosa County, they produced 6.5 million tons in 2010. Photo courtesy of Walter Energy Inc.

- Coal mining in Alabama reclaims pre-recession momentum.
- Walter Energy snaps up 170-million tons of reserves.
- Surface mining revs up in the Black Warrior River Basin.
- Drummond invests \$83 million in earth moving equipment.
- Conservationists demand protection for streams, big cities' water sources

By Dean Harrison / Photos by Steve Gates

Coal production in Alabama is reclaiming historic highs reached prior to the recession, as Walter Energy expands its Alabama leaseholds, heavy-weight Drummond Co. plans ambitious home state explorations, and a small army

of surface mining companies bulldozes a widening swath through the foothills of east Alabama.

"The future looks bright for coal," says David Roberson, president of the Alabama Coal Association. "We are seeing some mergers and expansions by some of our

larger companies that may increase coal produced for export during this year," he says.

Alabama coal production rose from 19.5 million tons in 2007 to 20.5 million tons in 2008. Lagging behind the national recession by one year, the total dropped by

3 percent in 2009 but climbed back to 20 million in 2010, according to the Alabama Department of Industrial Relations.

In May, Walter Energy completed a transaction with Chevron Corp.'s mining unit for the rights to 75 million tons of coking coal reserves in Tuscaloosa County and a deal to buy Chevron's North River steam coal mine in Fayette County.

"We are happy with the opportunities these leases present to grow our reserve base and expand our footprint in Alabama," said CEO Keith Calder, who recently settled into new company headquarters in Birmingham, after a move from Tampa. "These reserves are an integral portion of the last remaining block of Blue Creek coal reserves and pave the way for a strategic opportunity to assemble approximately 170 million tons of high quality coking coal reserves for the development of a new underground longwall coking coal mine."

Walter Energy produced about 6.5 million tons of Alabama coal in 2010, all from underground mines.

Drummond Co., which has largely concentrated its investments in massive mining operations in Colombia in the last 10 years, is simultaneously shopping its South American assets on the global market and investing in new equipment to plow back into Alabama surface mining. According to reliable sources, the company recently bought \$83 million worth of mining equipment from Thompson Tractor Co., an order that surpassed any previous single purchase in the history of the Birmingham heavy equipment dealer. Roberson confirms the equipment purchase, which he says is for the company's Twin Pines division, which operates four surface mines in Jefferson and Tuscaloosa counties, near Bessemer. Twin Pines, based in Jasper, was the state's largest producer of surface-mined coal in 2010 and has since been acquired by Drummond.

Drummond produced around 1.8 million tons of underground coal in Alabama in 2010 and 264,751 tons of surface coal, according to the ADIR.

Softer coal from Alabama's surface mines is mainly used for power generation. Around 70 percent of electricity produc-

tion in Alabama comes from coal, compared to a national average of 50 percent. Hard coal from underground mines goes into metals manufacture, fueling integrated mills, such as US Steel in Jefferson County and the new ThyssenKrupp plants in Mobile County. Of the 20.2 million tons produced in Alabama in 2010, 62 percent was from underground mines, 38 percent from surface mines. Alabama is also a major coal exporter, shipping 8.35 million tons through the State Docks last year.

According to a 2009 survey by the National Mining Association, total U.S. coal production is expected to recover in 2010 as improving domestic and economic factors are influenced by a stronger demand for metallurgical coal, greater demand for electricity and some exported coal, which is what the industry in Alabama is seeing now.

"The world's need for metallurgical coal for iron and steel production bodes well for Alabama's underground mines," Roberson said. "We have some of the highest quality metallurgical coal in the United States."

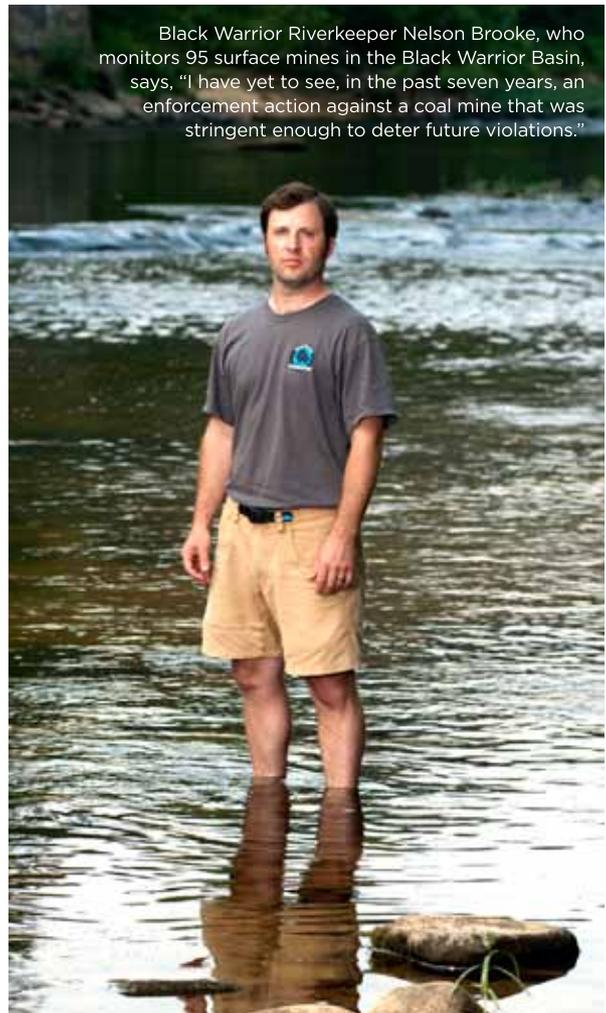
There were 61 coal mines producing in 2010—55 surface mines and six underground mines, according to the ADIR, which oversees mine safety and mining employment and also tracks production. The Alabama Surface Mining Commission, which issues permits for surface mines subject to Alabama Department of Environmental Management approval, counts 50 surface mines in operation in Alabama in March.

Nelson Brooke administrator/"riverkeeper" at Black Warrior Riverkeeper, includes in his count surface mines no longer producing coal but still issuing state environmental discharge reports, and he counts a total of 100 state-wide.

Counties in Alabama seeing the most surface and underground mining activity are Walker, Tuscaloosa and Jefferson—home to both the Warrior Coal Field, where most of Alabama's coal reserves are found, and the Black Warrior River.

The conservation group American Rivers recently placed the Black Warrior on its list of America's Most Endangered Rivers, owing to pollution from surface mining. The listing also weighs the resources threatened—a source of drinking water for Tuscaloosa and Birmingham, as well as headwaters that include the Wild and Scenic Sispey Fork and Mulberry Fork, which are rated among the top 2 percent of U.S. streams by the National Park Service.

Twin Pines Coal Co., which operates five surface mines in four counties, produced 891,912 tons of coal in 2010, the largest amount for that fiscal year. National Coal of Alabama Inc. was next in line, with 777,841 tons produced. More than 50 permits have been issued for surface mining in



Black Warrior Riverkeeper Nelson Brooke, who monitors 95 surface mines in the Black Warrior Basin, says, "I have yet to see, in the past seven years, an enforcement action against a coal mine that was stringent enough to deter future violations."

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David Roberson, president of the Alabama Coal Association.



2011 and more are pending, according to the ASMC.

Many of those permits are opposed by the environmental protection group Black Warrior Riverkeeper. Its most common objection: The Alabama Department of Environmental Management is lax in administering the federal Clean Water Act.

“ADEM’s enforcement of water pollution rarely occurs without citizen lawsuit pressures leading the way,” Brooke says. “I have yet to see, in the past seven years, an enforcement action against a coal mine that was stringent enough to deter future violations of a permit and protect streams.”

Black Warrior Riverkeeper, represented by the Southern Environmental Law Center (SELC), is in the last round of legal opposition to two proposed mines it considers the worst case scenario for pollution risks: the Rosa Mine in Blount County and the Shepherds Bend mine in Walker County.

Shepherd Bend LLC—registered with the state by a Drummond Co. incorporator—is proposing a 1,773-acre surface coal mine in Walker County, 800 feet upstream of one of the primary intakes for Birmingham’s water system.

MCoal Corp.—subsidiary of a Vancouver-based investment company that has targeted the purchase of coal reserves in the Appalachians—is proposing the 3,255-acre Rosa Mine, which would have over 60 discharge points into the Locust Fork, a tributary of the Black Warrior. Locust Fork is on an ADEM list of the most polluted streams in the state, owing to sediment.

The SELC filed suit against Shepherd Bend in December 2008 and, following several court rounds, the Alabama Environmental Management Commission granted the plaintiffs a hearing before a Commission hearing officer, which was held in March. A final decision is pending.

The SELC lost an appeal of the Rosa Mine in a Montgomery Circuit Court and took the case to the Alabama Court of Civil Appeals. Briefs have been completed and a decision is pending.

“We have around 95 active coal mines operating in the Black Warrior River watershed, mining coal out of the Warrior Coal Field,” Brooke says. “They are permitted to discharge polluted water by ADEM, to mine for coal by the Alabama Surface Mining Commission and to fill wetlands and streams by the U.S. Army Corps of Engineers.”

Brooke speculates the rise in surface mining permits in Alabama in the last two years reflects a realization by mine operators that their “days are numbered” as federal regulations get tougher. Alabama fell just outside the lasso of a recent Environmental Protection Agency guideline, but it won’t stay that way if the environmentalists have their way.

“The attack on coal by the federal administration and federal agencies continues to hamper mining permits across the country,” Roberson says, “but especially in the Appalachian states.”

Roberson and the rest of the coal industry are pushing back against a tightening of EPA policies on surface mining issued in a memorandum in April: “Improv-

ing EPA Review of Appalachian Surface Coal Mining Operations Under the Clean Water Act, National Environmental Policy Act, and the Environmental Justice Executive Order.” The new enforcement interpretation is especially aimed at eliminating mountaintop mining.

Roberson says there is no mountaintop mining in Alabama, so he’s happy the rules don’t impinge on operations here.

Brooke says the new rules would be welcome, but that Alabama is excluded from the boundaries of the new rules. “We are pushing for Alabama to be included in the current and any future guidance. It is a real shame that it does not consider the significant amount of coal mining in Alabama and our abundance of rivers and wildlife to be worthy of better protections,” he says. “We have seven times more coal mining in Alabama than our neighboring state Tennessee, yet they’re included in the guidance and we’re not.”

Environmentalists also are calling for the Corps to tighten permitting for the Alabama coal fields as it has for the rest of the Appalachian chain, where permit applications are considered on an individual basis, with public input. In Alabama, however, the Corps fulfills its responsibilities under the Clean Water Act by issuing a blanket, region-wide permit, Nationwide Permit 21. The Corps lifted NWP 21 for the rest of Appalachia but not in Alabama, a situation which Brooke considers a “dangerous loophole.”

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