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April 22, 2022

The Honorable Chairman Martin Oberman
Surface Transportation Board
395 E St. SW
Washington, DC 20423

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Attn: Surface Transportation Board Docket No. EP 770, (Urgent Issues in Freight Rail Service)

RE: Testimony from the National Mining Association

Dear Chairman Oberman,

The National Mining Association (NMA) appreciates the opportunity to provide testimony at the Surface Transportation Board hearing on April 26 and 27, 2022, regarding urgent issues in freight rail service. The NMA is a national trade association that includes the producers of most of the nation's coal, metals, industrial, and agricultural minerals; the manufacturers of mining and mineral processing machinery, equipment, and supplies; and the engineering and consulting firms, financial institutions, and other firms serving the mining industry. The NMA's members conduct mining operations throughout the United States and rely on Class I rail carriers to transport mined products, including coal.

Coal is America's most reliable and abundant energy resource—making up nearly 90 percent of U.S. fossil energy reserves on a British thermal unit (Btu) basis. At current consumption rates, the U.S. has more than 250 years of remaining coal reserves. The demand for coal is only going to rise, especially for coal exports. Russia's invasion of Ukraine triggered a spike in U.S. thermal coal exports due to Europe's tight energy supply and low natural gas reserves. The Energy Information Administration predicts exports of 88 million short tons, a three percent increase by the end of 2022, and predicts 91 million short tons in 2023. Here at home, elevated natural gas prices will also increase coal competitiveness in the energy sector.

Roads, railways, appliances, buildings, stadiums, bridges, airports, and other structures are supported by steel — a material dependent on metallurgical coal. 70 percent of the world's steel requires coal for its production. The U.S. is one of the largest metallurgical coal exporters in the world, and demand is expected to increase 20 percent by 2030 to keep up with the pace of aging infrastructure.

While coal is an inexpensive, efficient energy and infrastructure resource right here at home, mining companies are facing enormous difficulties getting coal to the consumer. Rail continues to be the primary mode of transportation for coal across the U.S. Coal produced in the Powder River Basin can be transported over 1,000 miles, and as far away as Georgia, Oregon, and Texas. These mining operations run 24 hours a day, 7 days a week, and 365 days a year to meet the needs of consumers.

However, just because the mines are running full speed ahead, it does not necessarily mean that coal is moving across the country by rail. For example, at one mine in 2021, the operation lost the equivalent of 167 train shipments due to poor rail performance. So far in 2022, that same mine has lost 72 train shipments, and if the rate continues, nearly 290 trains will not be shipped by the end of the year. To put this into perspective, at a rate of 13,500 short tons per train, approximately 3.9 million short tons of coal, from just one coal mine, will never see the domestic or global market. Once the shipments are lost, they can never be made up. The backlog projections are so dire that coal producers need more than 100 percent of shipments to not only cover for existing contracts, but to make up for what was not picked up by rail. The issue is not the number of cars on trains, it is that the trains often do not show up at all.

Another coal producer had only 30 percent of its trains show up earlier this year. They had empty vessels waiting to be filled, at their cost, and are two months behind on filling consumer orders solely because of the lack of rail service. Sometimes stockpiles are at record levels at mine sites, with auxiliary stockpiles undergoing permitting for the ability to safely increase the amount of product trucked to the auxiliary sites.

As a result, mining companies suffer the consequences financially. Some coal companies have taken it upon themselves to try to be part of the solution and are able to look for ways to offset these shortfalls. Such measures include hiring and training staff to load trains when they arrive. They have additional personnel and are available 24/7 to ensure they don't miss any loading opportunities.

Another coal producer is exploring the possibility of hiring a third-party rail company to do all train loading and switching. This investment would save Class I carriers up to 60 crews per month but comes at great cost to the mining company. Others are looking for new outlets to transport coal, such as reopening a river terminal to hopefully move an additional 3 million tons annually through the river port.

Aside from the intermittent service, there is also concern of dangerously low staffing levels for Class I carriers, which contributes to the inability to meet even basic service agreements. This results in rail companies diverting personnel from one site to increase service at another, where the commodities are not even comparable to the market conditions. In other words, to increase service elsewhere, service is taken away from coal producers.

These types of service issues are threatening the U.S. energy supply and grid reliability. Many customers want more coal than the railroad can deliver, resulting in the curtailment of utilities burning coal to keep adequate stockpiles of inventory available during the grueling summer months. It is especially difficult for utilities that must turn to natural gas and are forced to pay at the current high prices, that are only being exacerbated by the current geopolitical turmoil. In turn, higher fuel rates mean higher rates for electricity users.

With many countries banning Russian energy imports, we need to make sure our domestic coal exports can fill that void and get the product to the markets where it is desperately needed. We need to be able to move responsibly sourced domestic coal to the utilities that keep the lights, heat, and air conditioning on. We need to be able to transport metallurgical coal to the industries that repair roads, bridges, and buildings to keep our infrastructure safe. We need to move coal, and that starts with efficient rail.

Thank you again for the opportunity to provide this testimony. If there are any questions, please reach out to me at kmills@nma.org.

Sincerely,

Katie Mills

Katie Mills