

**Announcement: Moody's: Outlook for the US coal industry remains stable**

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New York, December 11, 2013 -- The outlook for the US coal industry remains stable, Moody's Investors Service says in a new report, "US Coal Industry Faces Steady but Weak 2014, With No Relief in Sight." Overall earnings are expected to decline modestly next year, as more lucrative contracts roll off and prices for metallurgical coal remain low.

"We expect production volumes to rise by 2% to 3% next year off the 2013 trough of a little over 1 billion short tons," says Vice President -- Senior Analyst, Anna Zubets-Anderson. "Coal's share of electricity generation will approach 40% through mid-2015, but thereafter will trend lower as coal plants retire and new investment turns to natural gas and renewable capacity."

Illinois Basin producers will continue to take market share from Central Appalachia, but both basins will face price pressure, Zubets-Anderson says. Central Appalachian thermal producers like James River Coal will face the most challenges due to mine depletions, fuel substitution, coal plant retirements and high labor costs.

Demand for coal from the Powder River Basin will remain more volatile than demand for coal from other regions, while increased supply will cap prices only marginally above the cost of production. Among companies in the Powder River Basin, Cloud Peak Energy Resources is better able to withstand weak prices, while Arch Coal needs a healthy price recovery to stop burning cash.

And while demand and prices should be steady for Northern Appalachian coal through next year, beyond that plant retirements and competition from cheap natural gas will pose a threat.

"Export markets for US coal will remain weak in 2014," Zubets-Anderson says. "Met coal producers face a sluggish global steel industry and additional supplies coming online in Australia, while a surplus of thermal coal in Europe and Asia will limit price recovery in the seaborne markets."

Moody's research subscribers can access this report at [https://www.moodys.com/research/US-Coal-Industry-US-Coal-Industry-Faces-Steady-but-Weak--PBC\\_161317](https://www.moodys.com/research/US-Coal-Industry-US-Coal-Industry-Faces-Steady-but-Weak--PBC_161317).

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