The Impacts of the COVID-19 Pandemic on the Coal Industry

AN ESSENTIAL INDUSTRY, PROVIDING RELIABLE, AFFORDABLE ELECTRICITY

The Department of Homeland Security explicitly included mining in its list of 16 critical infrastructure sectors that should maintain their work schedules to help the response to the coronavirus outbreak in its March 28 update to its "Memorandum on Identification of Essential Critical Infrastructure Workers During COVID-19 Response." Throughout the COVID-19 crisis, the coal industry has provided the essential electricity that Americans need.

Half of all registered voters (47 percent) said the pandemic has increased their concerns about their ability to pay their household bills, including electricity bills.

– Morning Consult poll, May 2020

Impacts Have Been Deep, But Demand is Expected to Recover in 2021. While electricity demand is down there is still and will continue to be significant demand. Many states – such as Indiana, Kentucky, Missouri, Montana, Nebraska, North Dakota, Utah, West Virginia and Wyoming – rely on coal for the vast majority of their electricity generation, and demand won't be down forever. The Energy Information Administration (EIA) predicts U.S. coal production will decrease 25 percent this year to 530 million short tons, but then increase to 549 million tons in 2021.

Coal Employment Has Been Impacted Along with Every Energy Sector. The Bureau of Labor Statistics reports that there has been a 10 percent reduction in coal employment comparing May 2020 with May of 2019.

Coal Generated Electricity Provides Reliability and Affordability. PJM Interconnection (PJM) and Midwest ISO (MISO) represent the two largest ISOs, covering twenty-three states, and contain the two largest fleets of coal generated electricity. The combined drop in coal produced electricity in the PJM and MISO covered areas was over 40 percent in March. The threat to long term contracts for coal producing companies and the decline of coal generated electricity diminishes reliability of the national grid. The decline in coal generated electricity especially threatens grid reliability when electricity demand begins to return to traditional levels and an adequate coal supply may not be available for utilities.

U.S. Coal Summary	2018	2019	2020	2021
Supply	(million short tons)			
U.S. Coal Production	755.5	705.3	530.0	548.7
Imports	6.0	6.7	5.5	5.4
Exports	115.6	92.9	63.6	70.0
Consumption	(million short tons)			
Electric Power Sector	637.2	539.4	350.5	425.4
Other Sectors	50.9	47.9	43.1	43.6
Total Consumption	688.1	587.3	393.6	469.0
End of Period Inventories	(million short tons)			
Electric Power Sector	103.0	128.5	139.9	135.2
Total Inventories	130.0	158.8	169.1	163.5

Source: EIA Short-term Coal Outlook June 2020

In addition, examining the states with higher percentages of coal generation shows that states with a diverse mix of fuels have some of the lowest prices per kilowatt hour for retail electricity. When the economy is doing well, affordable energy may matter less to people. But throughout this crisis, when Americans are losing jobs and businesses are struggling with basic cash flow – and even after, as the economy struggles to recover – keeping electricity bills low will be even more important.

Policymakers must ensure the current conditions in electricity markets do not produce sweeping consequences for the long-term health of an essential industry. Coal not only provides reliable electricity throughout the year, but plays an outsized role in propping up the grid and providing reliability during extreme weather. The fuel security and dispatchability inherent with the coal fleet can't be easily replaced.