

Testimony of J. Greg Driscoll
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Pennsylvania Senate Environmental Resources and Energy Committee
June 11, 2015
Pottsville, PA

Good Morning. My name is Greg Driscoll and I currently serve as President and CEO of the Blaschak Coal Corp, a long standing participant in the Pennsylvania Anthracite industry. Thank you for the opportunity to share our views of the current state of the Anthracite industry in Pennsylvania.

A fourth generation Pennsylvanian, I grew up in Delaware County in Southeastern PA and started my work career in 1965 at the Sun Oil operation in Marcus Hook. At the same time, a group of people, all in their teens and twenties, joined the Sun Oil ranks from "Up State" as this area was referred to down there. They were **from** Tamaqua, Mount Carmel, Mahanoy City, Ashland and Shenandoah, and it was curious to me as to why so many young people from this region were coming to work in Delaware County.

Fast-forward to 2009. The Blaschak family decides it is time to sell the family business after 72 years of continuous family ownership of the company. Milestone Partners, a southeastern Pennsylvania based private equity firm has taken an interest in the industry and decides to make the investment and acquire the company from the family. My career long background in the energy industry matched the investor's requirements for leadership. I agreed and started my sojourn in the "Coal Region". After a lifetime in the Delaware Valley, I experienced what the world looks like when an industry, "the" industry in the case of this region, nearly disappears. I came to understand why so many young people who might otherwise have represented the future of the coal region had chosen in 1965 to move away. It was, and continues to be, a shock to me to see what was a proud, bustling and prosperous region suffering serious economic decline, young flight, and growing unemployment.

In my six plus years with Blaschak, working in Schuylkill, Columbia, Luzerne and Carbon Counties, I have been witness to the plight of these communities as they struggle to survive rising costs, crumbling infrastructure, an aging population and declining tax base. The anthracite coal industry operates in the middle of this decline.

Mining is a difficult and high cost business. The capital requirements are intense, and the skill levels of the people needed to operate and maintain the sophisticated equipment we use are significant. The industry pays the best wages in the region, wages that can support families, send children to college, and provide demand for the needed community services that generate other productive and well-paying jobs. Unfortunately, the mining industry is but a shadow of what it once was. Sales of Pennsylvania Anthracite that once topped 100 million tons per year are now about 2 million tons. Instead of the nearly 200,000 miners that once toiled in the region, fewer than 1000 are working today.

I do not want to suggest that the world of 100 years ago was something to be copied. Those workers toiled in unhealthy and unsafe conditions for very low pay. The mining of those days polluted rivers and streams and as a result of government mandates to meet ongoing demand during wartime, left behind mountains of waste material, open stripping pits, and rusting equipment that still pock the landscape of the region. No, we do not want to emulate the past.

Today, anthracite mining in Pennsylvania is typically operating from the surface, “daylighting” sites that had been previously underground mined. Today, we are removing the coal using safe, efficient, and environmentally friendly methods, with oversight from regulators as well as the communities that we are part of. Once a mining job is completed, we restore the underground and surface to pristine condition, and in the long term the techniques used today will result in improved water quality and safe usable surface looking much like it probably did before anyone was here.

Anthracite mining today in Pennsylvania is actively undoing the negative legacy of the past, and operators have been investing to reinvigorate and modernize. Since hitting a low demand of about 1 million tons in 2007, we estimate as much as \$300 million has been invested in revitalizing the Pennsylvania Anthracite industry by existing and new operators. This signals, in our view a real commitment by operators to do their part to re-energize a once proud and prosperous industry.

It has long been the hope of major operators in the region that businesses could do well in this endeavor. Find and remove the coal, sell it to needed markets at a profit, while meeting the high safety, restoration and reclamation standards of the communities. Anthracite is the highest quality form of coal that is in existence in commercial quantities, and Pennsylvania is the only place in the US where commercial quantities of high carbon, low sulfur anthracite can be found. Anthracite is widely used by the steel industry, is an important part of municipal water filtration applications, environmental cleanup, and is used in chemical and space heating applications across the country and around the world. Other than the environmentally beneficial local use of anthracite refuse banks in cogeneration facilities to produce steam and power for the region, Pennsylvania anthracite is not used as a Power plant fuel. There are significant reserves of this high quality mineral remaining in the Northeastern anthracite fields. **Anthracite is a treasure to the state of Pennsylvania, and should, in my view, be treated as such.**

Critics of such a view will say that not all operators conduct their business with employee safety, surrounding community needs and the environment protection in mind. Reluctantly, I must agree. That is why oversight of this, and pretty much every industry is essential to good order. While there is necessary regulation, oversight and control, I would suggest that at least during the last six years, the levels and reach of that oversight on this industry have, in important ways, gone well beyond what is needed to assure safety and environmental objectives, sometimes even to the point of appearing arbitrary and capricious in nature and purpose. We are impacted daily by USEPA, PADEP, MSHA, and OSM. The costs associated with existing and new regulations are escalating at an ever faster pace, and there appears to be no end in sight for the depth of control these agencies desire and intend to exercise. Programs designed to tighten controls are “fast tracked” to enforcement, while programs designed to ease the way are delayed in implementation.

I believe that Anthracite mining in Pennsylvania is at a crossroad. The industry produces a valuable and needed mineral. The mining activity is cleaning up conditions from past practices using mining techniques that improve water quality and fully restore the surface, our product is used to clean up PCB’s from prior spills and is a key feature in municipal water filtration, and has environmental advantages (a measurably smaller carbon footprint) when compared to metallurgical coke in the steel making process. Additionally, as a material containing the highest naturally occurring carbon content of any mineral in the world, anthracite is being investigated for use in more advanced cleanup applications to protect and improve air and water quality around the globe.

In spite of these clear benefits, the industry has struggled to grow, fighting the ever increasing cost of regulation, and the onslaught of imports of anthracite from unregulated and often subsidized mining in Eastern Europe and Peru. Since 2012 alone, more than 500,000 tons of anthracite have been brought into the US from these regions. While 500,000 tons in three years does not sound like much, it represents nearly 10% of the current total output of anthracite in Pennsylvania. These imports are from mining operations often subsidized by governments in producing nations, resulting in pricing that is well below the cost of actual mining and providing unfair advantages to foreign sourced material. Those subsidies and “below cost” pricing also impact the opportunity to export our production. Since reaching a recent high water mark of nearly 700,000 tons in 2013, the aggressive growth of Eastern European supplies, some from “bootleg” producers and none of it under the regulatory environments we face here, US anthracite exports declined to less than 300,000 tons in 2014. This reduction represents another 20% decline in market opportunity, brought on mainly from uncompetitive foreign practices.

There is a significant and growing market for anthracite around the globe. The Pennsylvania Anthracite industry could produce significantly more high quality anthracite coal if conditions were favorable. An industry that today is producing about 2 million tons per year, could, under proper conditions, expand to as much as 10 million tons of annual output. Such expansion would lead to significant job growth in the region as well as increases in the support industries that service the local mining operations. The historic decline in US anthracite production can be reversed, and the Northeastern Pennsylvania economy would be the main beneficiary of this renewed growth. The path to such renewal is a more balanced approach to realistic and meaningful regulation, a supportive regional view that recognizes the economic renewal benefits of such growth, and public policy assistance that would level the playing field against subsidized imports of similar products.

Thank you for the opportunity to share our views in regard to this important topic.

Sincerely,

Greg Driscoll
President & Chief Executive Officer
Blaschak Coal Corp.