Exporting Alaska's Coal

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Coal exports in Alaska have fallen dramatically over the last few years as prices and demand have dropped worldwide. The primary exports in recent years were to Chile and the Pacific Rim by Usibelli Coal Mine Inc (UsibelliCoalMine.html). In 2011 Usibelli exported 1.3 million tons of coal, but in 2012 this number fell (http://www.platts.com/RSSFeedDetailedNews/RSSFeed/Coal/6958694) to 877,000 tons, and by 2014 was only 513,000 tons. In 2015, no shipments were made to South Korea or Chile and a mere 150,000 tons were exported to Japan. As a result, Usibelli shuttered their export facility (http://www.adn.com/node/2862436) in Seward for the year. Exports in 2011 accounted for around half of the coal mined by Usibelli, with the rest being consumed in the state (AlaskaCoalPower.html). While this represents less than one percent of US coal exports (http://www.eia.doe.gov/cneaf/coal/quarterly/html/t7p01p1.html), Alaska possesses a very large percentage of US coal resources (HowMuchCoal.html) and many parties were interested in mining this coal for export.

This interest was strengthened in part by the rapid growth (http://www.nytimes.com/2010/11/22/world/asia/22fossil.html?_r=1) in demand for imported coal from China, likely a driver behind proposals by PacRim Coal, which is seeking to open the proposed Chuitna Coal strip mine (ChuitnaCoalMine.html) near Beluga, and BHP Billiton, which has shown off-and-on interest in developing coal in Alaska’s western arctic. A particular attraction of Alaskan coal is its low sulfur content

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(TypesOfCoal.html) that allows more of this coal to be burned while staying in compliance with regulations that restrict sulfur dioxide emissions. In addition, Alaska is located closer to the large Asian markets than the rest of the US, and there is a potential for trade through the Northwest Passage to the eastern US and Europe as the arctic sea ice retreats (http://www.nytimes.com/interactive/2007/10/01/science/20071002_ARCTIC_GRAPHIC.html). However, there is concern (http://daily.sightline.org/2011/07/19/the-climate-impact-of-coal-exports/) that exporting coal from the US to Asia will have an outsized negative impact on climate change due to the combination of transportation emissions and lowering the incentive for Asian power plants to improve efficiency or search for alternative fuels.

Though exports of Usibelli coal have dropped, the numbers for 2010 and 2011 were both record-setting and Usibelli still believes there is potential for expansion. In particular, Usibelli is working with a Japanese company, J-Power (http://www.petroleumnews.com/pntruncate/403879659.shtml), to explore the feasibility of exporting coal from their Wishbone Hill (/Issues/AlaskaCoal/WishboneHillCoalMine.html) site. However, China has begun to reduce imports of coal and is considering stricter rules concerning the quality of imported coal which could be problematic for some of the low-energy coal from Alaska.

There are some other significant barriers to the successful export of Alaskan coal, including the high infrastructure and transportation costs of mining in remote locations, and shipping

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the resulting coal. Furthermore, Alaska currently possesses only one port designed to load coal ships, located at the Port of Seward (SewardCoalPort.html), though the Port MacKenzie line (/Issues/Infrastructure/Port-MacKenzie-Railroad-Extension.html) could also export coal when completed.

Coal companies and shipping companies also face a significant hurdle to shipping coal from Alaska to the lower 48 from the Merchant Marine Act of 1920 (http://en.wikipedia.org/wiki/Merchant_Marine_Act_of_1920), usually referred to as the "Jones Act". This law limits shipping between US ports to ships that are built in the US, and crewed by at least 75% US citizens. In effect, this law means that shipping coal from Alaska to a port in the lower 48 would cost at least twice as much as shipping coal an equivalent distance outside the US, assuming an appropriate ship could even be found.

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