

# Summary of Hill & Associates Study on MTM/VF

**Sponsoring Agency: U.S. Environmental Protection Agency**

**Project: Economic Impact of Mountain Top Mining and Valley Fills  
Environmental Impact Statement**

**Contractor: Hill & Associates, Inc.**

**Date: December 12, 2001**

## Introduction:

This study by Hill and Associates is the only publicly available analysis of the economic impacts of restricting mountaintop removal mining and, specifically, valley fills. This study was part of the multi-agency environmental impact statement conducted between 1999 and 2005.

The study examined a number of scenarios for restricting valley fills that were under consideration at the time. For the purposes of this summary, only the most restrictive case in which valley fills would only be permitted for watersheds less than 35 acres in size. As such, it represents the closest approximation to a total ban on valley fills that can be gleaned from the study. According to Hill and Associates, the 35-acre restriction would eliminate about 75-90% of the reserves available for surface mining in the primary coal counties in southern West Virginia such as Boone, Mingo, Kanawha, Logan and Wyoming Counties.

It should be noted that H&A assumed the restrictions would take effect immediately, which means the short-term economic impacts shown here would be considerably greater than any of the scenarios currently under consideration to limit the impacts of valley fills.

The Hill and Associates study used two "Base Case" or business-as-usual scenarios to measure the impacts of restricting valley fills. Without going into details, this analysis used the 10% return on investment scenario rather than the 15% scenario because it is the most favorable estimate for the business as usual case, meaning it provides the maximum estimate of the economic impacts of restricting valley fills.

## Impacts on Coal Production:

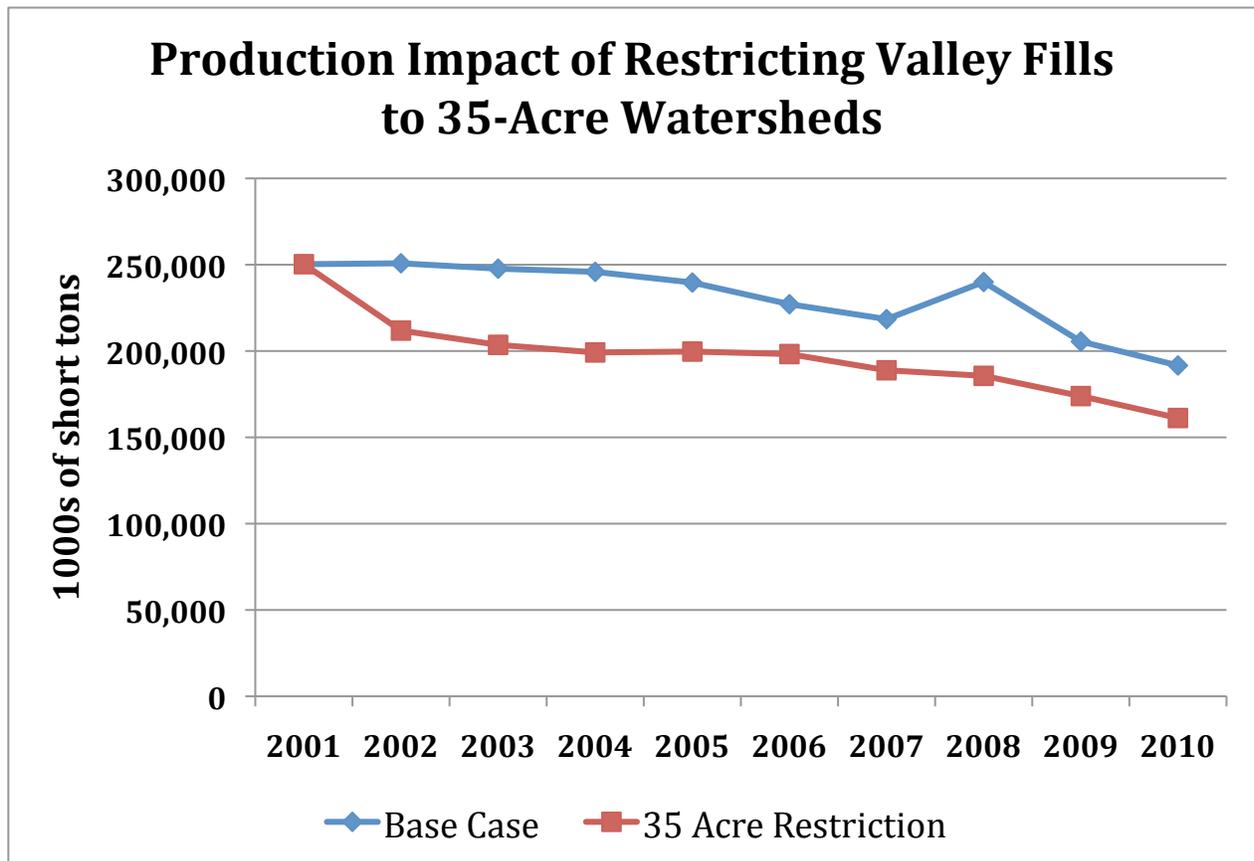
Perhaps the most eye-catching aspect of this study is the degree to which Hill and Associates projected Central Appalachian coal production to decline whether or not any valley fill restrictions occurred. According to the study:

"... the general downward trend of total tonnage from the study region under all cases is a result we see across many modeling projects.. [it]is exacerbated toward the end of the 10-year study period by the fact that significant blocks of higher-quality Central Appalachian reserves are starting to be exhausted. The better-quality coals in this region are slowly but surely being mined out."

This emphasizes the most important aspect of any analysis on the coal mining production or employment in Central Appalachia – the coal industry is expected to continue a rapid

decline simply because the highest quality and easiest to access seams have been mined out. No matter what regulations are in place, the long-term prospects for this industry in Central Appalachia are poor.

Nevertheless, the H&A study did project a significant impact on production if restrictions on valley fills are in place. Here is a comparison of the most favorable base case to the most restrictive valley fill scenario:



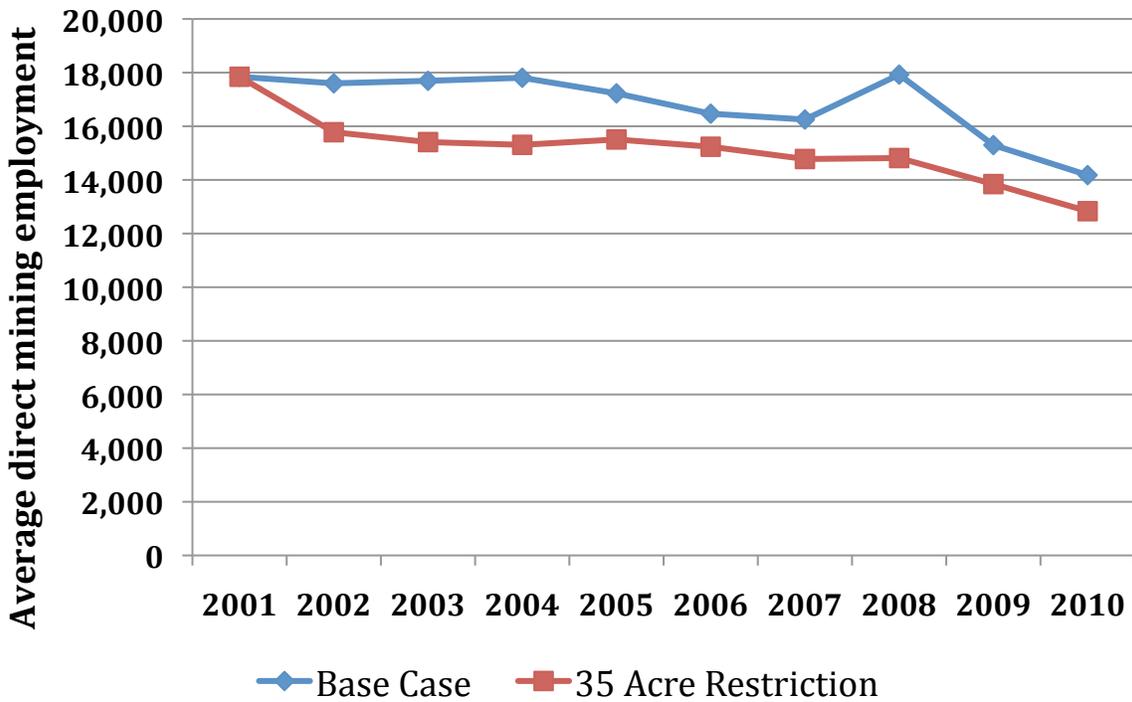
H&A projects that the production impact would range between 30 and 50 million tons per year, or approximately 20%. A more detailed analysis shows that surface mine production would actually decrease by about 60%, but compensatory increases in underground mine production would make up a significant portion of this difference.

#### Impacts on Employment and Electric Rates:

The H&A study indicates that employment impacts would be considerably less than the dire warnings of coal supporters suggest. After a decade, the total difference between the most favorable base case and the most restrictive valley fill case would be 1,345 jobs, or 10% of the directly-employed mine workforce.

In terms of electric rate impacts, the H&A analysis for customers relying on MTR coal indicates the impacts would be all but undetectable, increasing by less than 1 percent. Here are the charts:

## Employment Impact of Restricting Valley Fills to 35-Acre Watersheds



## Electric Rate Impact of Restricting Valley Fills to 35-Acre Watersheds

