

Committee on Resources

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COAL CRITICAL TO OHIO

Testimony by Charles C. Ungurean,

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Good morning. My name is Charles Ungurean. Chairman Pombo, Congressman Ney - I thank you for the opportunity to be here today to testify before the Committee on Resources.

I am President and CEO of Oxford Mining Company, the largest producer of surface mined coal in Ohio. In 2002, our sales exceeded 3.1 million tons and we expect that production will reach 3.5 million tons by the end of 2003. About 80 percent of this coal goes to American Electric Power generating stations in Ohio.

Oxford currently employs more than 300 employees. We have nine operations strategically located in seven counties producing coal from six different coal seams. We have taken advantage of changes in the Ohio coal market to dramatically increase production. Between 1996 and 2003, production rose from 500,000 tons to 3.5 million annually, resulting in a market share jump from 2 to 16 percent. With our current coal reserves, we can maintain these production rates for the next 25 years, as long as Ohio utilities continue to burn Ohio coal.

I also serve as chairman of the Ohio Coal Association. The Ohio Coal Association represents producers, brokers and other related industry members with the aim of advancing the development and utilization of Ohio coal as an abundant and environmentally sound energy source. The association exists in large part because we employ more than 2,600 Ohioans, and because Ohio coal producers know there is a 400-year reserve of affordable and increasingly clean Ohio coal waiting to be used to generate electricity.

Our association commissioned a study in late 2002 of the economic benefits of Ohio's coal industry to the state. The study found that Ohio's coal industry provided a total economic benefit of three billion dollars to the state. More than 450 million dollars of that is in direct benefits, such as payroll taxes and salaries.

Despite the significant benefits of coal for Ohio – and for our nation - there are proposals that threaten to negatively impact our industry and jeopardize the high-wage coal industry jobs that are of paramount importance in Appalachian Ohio. One of those proposals is the Kyoto Protocol, also known as the United Nations Treaty on Global Climate Change.

Implementation of the Kyoto Protocol would devastate the coal-based electricity industry in Ohio and the nation. In 1998, the U.S. Energy Information Agency, which is the U.S. Department of Energy's forecasting arm, found that coal would fuel less than 10 percent of all electricity generation in the U.S. under the greenhouse gas reductions called for by the Kyoto Treaty. That would mean about an 80 percent reduction in coal's electric-generation market share. The resulting impact on Ohio's coal industry would be crippling – mine closings, job loss and severe economic fallout.

President Bush made the right decision to reject the Kyoto Protocol in March 2001, refocusing the debate instead on policy based on technological innovation and economic incentives. History shows us that this will result in greater emissions reductions with lower economic costs to U.S. consumers and businesses.

Today, coal provides the fuel for nearly 90 percent of Ohio's electricity and is a major reason Ohioans enjoy affordable energy. On average, coal is available at about half the cost of other fossil fuels, and the state's abundant reserves can ensure that Ohioans will have a ready, reliable supply of affordable energy close at hand for generations to come. Coal plays an important role in keeping keep electric power costs competitive, which is critical to the survival of Ohio's strong manufacturing sector. Directly and indirectly, manufacturing provides more than half of all jobs in the state.

While affordable energy is good news, coal's opponents continue to challenge the viability of coal as an energy resource due to air quality concerns. However, the data suggests that this is an extreme point of view.

Ohio has made significant environmental progress since the Clean Air Act became law in the 1970s. The Ohio Environmental Protection Agency recently released its new 30-year air quality trend report and found that Ohio's air quality has improved substantially during the last 30 years. The report analyzed air-monitoring data collected in Ohio between 1972 and 2001 for six pollutants for which national air-quality standards have been established. During a period when the use of coal to generate electricity tripled nationally, the levels of six major air pollutants regulated by the Clean Air Act declined dramatically in Ohio.

One major reason for our improved air quality is the development and deployment of clean coal technologies – an area where Ohio has established itself as a national leader. These technologies are being developed and refined at places like Ohio University, and they are in use at several coal plants across the state.

America's electric utilities have invested more than \$50 billion in clean-coal technologies, and millions of dollars of state and federal monies have been leveraged to maximize the benefits of clean-coal technologies. With additional investments in clean coal technologies by both the public and private sector, we can reasonably look forward to a future where coal can continue to provide economic benefits as a low-cost source of energy – and our air quality can continue to improve through enhanced environmental efficiencies.

Again, thank you for the opportunity to testify today. I will be pleased to answer any questions you have.