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Financial Risks Continue to Mount for Coal-Dependent Companies

As You Sow Releases New Research Predicting Further Decline in Coal

The prognosis for coal as a financially viable energy source continues to decline. Sixteen months after As You Sow published *White Paper: Financial Risks of Investments in Coal,* electric utilities are retiring coal plants at an unprecedented rate. The expected coal-plant retirements in 2012 represent the largest one-year decline in coal power generation in the nation's history and coal mining companies are seeing demand for coal dwindle- Patriot Coal is bankrupt, Alpha Coal's stock has declined 68% in the past year, and Arch Coal's stock dropped 54%.

As You Sow's *Update* to the June 2011 *White Paper* provides a snapshot of financial risks that have dramatically altered the context within which electric utilities do business.

"The *White Paper* was conservative in its assessment of the cumulative impact of environmental compliance costs, competition from natural gas, and, in some cases wind, combined with higher and more volatile coal prices. These factors are causing major shifts in the way we produce energy in America," says Leslie Lowe, co-author of the *White Paper* and Senior Strategist for As You Sow. "The risks are most acute for coal-dependent merchant fleets."

Investors with holdings in coal-dependent electric utilities continue to face significant and increasing financial risks, arising from:

1. Increasing capital costs for environmental controls at existing coal plants and uncertainty about future regulatory compliance costs
2. Declining prices for natural gas, a driver of electric power prices in competitive markets
3. Upward price pressures and price volatility of coal
4. High construction costs for new coal plants and unknown costs to implement carbon capture and storage
5. Increasing competitiveness of renewable generation resources

These trends have altered the dynamics for traditional centralized power providers. Rising costs for coal-fired electricity generation are driving utilities to make critical decisions about the next generation of energy investments.

"The business model for electric utilities needs to adjust as industrial, commercial, and residential consumers continue to reduce their energy consumption through efficiency and demand side management and many move increasingly to distributed generation or power purchase agreements," says Amy Galland, PhD, Research Director of As You Sow.

Access the *Update*, an abbreviated fact sheet, and accompanying images at: http://www.asyousow.org/health_safety/coal-risks-report.shtml.

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As You Sow is a nonprofit organization that promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. For more information visit www.asyousow.org.