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# U.S. Met Coal Exports May Suffer Because of New Steel and Aluminum Tariffs

All choices involve costs. That's axiomatic in the field of economics. The U.S. government imposed tariffs on steel and aluminum imports this week using [presidential authority](#) under the Trade Expansion Act of 1962 and the Trade Act of 1974 upon a finding that increasing steel imports and the reduction in domestic steel-making capacity impairs the national security of the United States. The new tariffs will become effective on March 23. These new tariffs, however, could disrupt exports of US metallurgical coal, one of the bright spots in the domestic coal industry that we wrote about [last year](#).

As an example, Brazil is a major consumer of U.S. met coal and its Ministers of Foreign Affairs and Industry and Industry, Foreign Trade and Services [responded](#) to the U.S. tariffs, stating that Brazil has a "preference for dialogue and partnership, [but] Brazil reaffirms that it will take all necessary steps, both bilaterally and multilaterally, to preserve its rights and interests." Brazil is the second-largest source of steel imports to the United States after Canada which has been exempted from the new tariffs. But Brazil also is dependent upon imports of metallurgical coal for its steel mills because its own coal resources are of poor quality and support only power applications. Brazil's coal imports are nearly \$2.8 billion (USD) per year with more than a third of that coming from coal mines in the United States. Brazil's ministers also pointed out that its steel exports are semi-finished products that are used as inputs in the North American steel industry.

Metallurgical coal exports experienced a year-over-year [volume increase of 38.2% between 2016 and 2017](#). And this demand increase drove [significant increases in average prices](#) to importing countries. The upswing in metallurgical coal production also saw a rise in injury and fatality rates in the coal industry from 2016 to 2017. But even with the cuts and reallocation of MSHA's coal-enforcement resources outlined in our [previous post](#), MSHA completed [100% of its scheduled coal mine inspections with a 15 % increase in citations or orders issued to the coal industry](#). In fact, while the *deregulation* of coal mines garnered significant attention during the 2016 presidential election, mine safety and health regulations remain largely untouched by the current administration.

Retaliatory measures by other countries in response to the U.S. steel and aluminum tariffs could end up hurting the U.S. met coal industry in favor of other exporters. The strength of the industry is dependent [both upon steel production and demand from overseas customers](#). While increased domestic steel making could create substitute demand for met coal within U.S. borders, the National Mining Association has described that theory as ["a muddled picture until we know more of the details."](#)

