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S&P: Long-Term Credit Challenges Facing U.S. State And Local Governments In Coal-Producing Regions

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For nearly a decade, U.S. coal production has been on the decline. Global efforts to stem emissions of carbon dioxide from fossil fuels and the availability of cheap alternative renewable energy sources will limit future growth of coal production. In S&P Global Ratings' opinion, reliance on coal-related revenue and economic activity, absent diversification, may result in long-term credit deterioration for some U.S. government entities.

Analyzing the credit impact of declining coal production involves our assessment of environmental, social, and governance (ESG) factors. S&P Global Ratings has a long record of incorporating ESG factors into its analysis of public finance entities. (For more information, see our report, "Through The ESG Lens: How Environmental, Social, And Governance Factors Are Incorporated Into U.S. Public Finance Ratings," published Oct. 10, 2018, on RatingsDirect.) In our state government analysis, we assess the effects on the coal industry as the U.S. transitions to more renewable energy sources, the weak demographic trends of coal-reliant areas, and management's ability to address the resulting fiscal effects of this decline.

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