

Risk Factors Comparison 2025-03-05 to 2024-03-06 Form: 10-K

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We ~~The Company operates~~ **operate** in a rapidly changing environment that involves a number of risks. The following discussion highlights some of these risks and others are discussed elsewhere in this report. These and other risks could materially and adversely affect **our** ~~the Company's~~ business, financial condition, operating results or cash flows. The following risk factors are not an exhaustive list of the risks associated with **our** ~~the Company's~~ business. New factors may emerge or changes to these risks could occur that could materially affect **our** ~~the Company's~~ business. Risks related to the Coal Mining segment Termination of or default under long- term mining contracts could adversely affect **our** ~~the Company's~~ business, financial condition, results of operation and cash flows. Substantially all of the Coal Mining segment's profits are derived from long- term mining contracts. Although **we have** ~~the Company has~~ long- term contracts, numerous regulatory authorities, along with well- funded political and environmental activist groups, are devoting substantial resources to anti- coal activities to minimize or eliminate the use of coal as a source of electricity generation. Any customer's premature facility closure **or contract default** could have a material adverse effect on **our** ~~the Company's~~ business, financial condition and results of operations. The coal mining industry is subject to ongoing complex governmental regulations and legislation that could adversely impact **our** ~~the Company's~~ long- term mining contracts and **our** ~~the Company's~~ results of operations, liquidity, financial condition and cash flow. ~~The United States Environmental Protection Agency (the "EPA") has a comprehensive regulatory program to manage the disposal of coal combustion residuals ("CCR") from coal- fired power plants as non- hazardous material under the Resource Conservation and Recovery Act ("RCRA"). Individual states administer some or all of the RCRA provisions. The North Dakota Department of Environmental Quality approved Falkirk's customer's plan for an alternate disposal liner to store coal ash at the Coal Creek Station power plant. In the first quarter of 2023, the EPA proposed to deny the application. If denied, a new liner or new waste management unit (s) may need to be installed, which could result in the temporary suspension of operations at Coal Creek Station. To minimize any impact to operations, Coal Creek Station is moving forward with plans to dry CCR materials produced by the plant, reducing the need to utilize the lined area in question. Falkirk is the sole supplier of lignite coal to Coal Creek Station. Any suspension of operations at Coal Creek Station would eliminate the need for lignite coal during the suspension period. Any such suspension of operations at Coal Creek Station or any of the power plants supplied by the Company's mines could have a material adverse effect on the Company's business, financial condition and results of operations. The EPA also has a comprehensive regulatory program to manage airborne emissions from coal- fired power plants. During 2023, the EPA proposed updated rules related to mercury and greenhouse gas emissions from coal- fired power plants. The first update was to the Mercury Air Toxics Standard, or MATS. In this update, the EPA proposed to eliminate a mercury emission standard for lignite- fired power plants that currently permits higher mercury emissions by lignite plants than other coal plants. In the event this rule is adopted as proposed, and not successfully legally challenged, it could result in the closure of many lignite- fired power plants, potentially including all of those supplied by the Company. The second update was the EPA's proposed new rule for greenhouse gas emissions from coal- fired power plants. In this proposed new rule, the EPA requires that power plant owners that intend to operate the plants beyond 2031 utilize controls, including reduced levels of power generation, co- firing coal and natural gas and installing carbon capture and sequestration to reduce greenhouse gas emissions. Each of these controls may impact the plant owners' profitability and could result in the closure of coal- fired power plants, potentially including all of those supplied by the Company. The closure of any of the power plants supplied by the Company could have a material adverse effect on the Company's business, financial condition and results of operation.~~ The coal mining industry and the electric generation industry are subject to extensive regulation by federal, state and local authorities on matters concerning the health and safety of employees, land use, stream and wetland protection, permit and licensing requirements, air and water quality standards, plant and wildlife protection, reclamation and restoration of mining properties after mining, the discharge of GHGs and other materials into the environment, surface subsidence from underground mining and the effects that mining has on groundwater quality and availability. Legislation mandating certain benefits for current and retired coal miners also affects the industry. Mining operations require numerous governmental and regulatory permits and approvals. **We are** ~~The Company is~~ required to prepare and present to federal, state or local authorities data pertaining to the impact the production and combustion of coal may have upon the environment. The public, including non- governmental organizations, opposition groups and individuals, have statutory rights to comment upon and submit objections to requested permits and approvals and to legally challenge certain permits subsequent to their issuance. Compliance with these requirements is costly and time- consuming and may delay commencement or continuation of development or production. New legislation and / or regulations and orders may materially adversely affect **our** ~~the Company's~~ mining operations, **or its** ~~its~~ cost structure **or its** ~~its~~ customers. All of these factors could significantly reduce **our profitability**. **Congress has considered climate change legislation aimed at reducing GHG emissions, particularly from coal combustion by power plants. Enactment of laws and passage of regulations regarding GHG emissions at the federal or state level, or the other Company's actions to limit carbon dioxide emissions, such as opposition by environmental groups of coal- fired power plants, could result in electric generators switching from coal to other fuel sources or premature facility closures. Congress continues to consider a variety of proposals to reduce GHG emissions from the combustion of coal and other fuels. These proposals include emission taxes, emission reductions, including carbon tax and cap- and- trade programs, and mandates or incentives to generate electricity by using renewable energy sources, such as wind or solar power. Some states have established programs to reduce GHG emissions. Further, certain governmental agencies provide grants or other**

financial incentives to entities developing or selling alternative energy sources with lower levels of GHG emissions, which may lead to more competition from those entities. The potential impact on us of future laws, regulations or other policies or circumstances will depend upon the degree to which any such laws, regulations or other policies or circumstances require electricity generators to diminish their reliance on coal as a fuel source. Complicating these matters further, over the last several decades, U. S. Administrations have increasingly relied on regulations and executive orders to implement environmental policies and objectives in the absence of Congressional agreement regarding new legislation. This condition, which creates instability and unpredictability of environmental regulations, seems likely to persist and could increase due to apparent polarization between the two main political parties. As a result, we and / or our customers, often must comply with and otherwise adapt to environmental regulations without assurance of their continued effect. We and / or our customers often do not have the ability to anticipate, or prepare in advance for, changes in regulatory approaches that may be implemented following a change in Administration. The SCOTUS' s profitability-recent decision in *Loper Bright Enterprises v. Raimondo* overturned the SCOTUS' s longstanding deferral to the applicable agency' s interpretation of ambiguous federal laws. We are unable to predict whether, or to what extent, this decision will alter the outcome of judicial reviews of current or future regulations. We do not know whether risks related to current and future regulations affecting us will be significantly mitigated by the decision in *Loper Bright*. In view of the significant uncertainty surrounding each of these factors, it is not possible for us to predict reasonably the impact that any such laws, regulations or other policies may have on our business, financial condition and results of operations. However, such impacts could have a material adverse effect on our business, financial condition and results of operations . See "Item 1. Business — Government Regulation" on page 8-9 in this Form 10- K for discussion of regulations that could materially adversely affect the Coal Mining segment. The loss of, or significant reduction in, purchases by NACCO' s coal customers could adversely affect our the Company' s business, financial condition, results of operation and cash flows. Earnings from the Coal Mining segment' s customers may fluctuate from time to time based on numerous factors, including market conditions and the realignment of customers' power generation portfolios that reduce the electric power generated from coal, which may be outside of our the Company' s control . Future environmental regulation of GHG emissions, CCRs and / or new federal and state mandates for increased use of electricity derived from renewable energy sources could accelerate the use by utilities of fuels other than coal. Such mandates, combined with other incentives to use renewable energy sources, such as tax credits, could accelerate the realignment of customers' power generation portfolios to reduce the electric power generated from coal. If any of the Coal Mining segment' s customers experience declining demand due to market, economic, regulatory or competitive conditions, it could have an adverse effect on our the Company' s profitability, cash flows and financial position. In addition, if any customers were to significantly reduce or eliminate their purchases of coal from us or if we are the Company is unable to renew expiring long- term sales agreements with existing customers or enter into new supply agreements, our the Company' s business, financial condition, results of operations and cash flows could be adversely affected. See "Item 1. Business — Business Developments" on page 2 in this Form 10- K for further discussion. MLMC is subject to risks associated with its our capital investment, operating and equipment costs, growing use of alternative generation that competes with coal- fired generation, changes in customer demand and inflationary adjustments. The profitability of MLMC is subject to the risk of loss of investment in this operation, increases in the cost of mining, changes in customer demand, adverse mining conditions and growing competition from alternative power generation that competes with coal- fired generation and the emergence of adverse mining conditions. At MLMC, the costs of mining operations are not reimbursed by MLMC' s customer. As such, increased costs at MLMC or decreased revenues could materially reduce our the Company' s profitability . Similar to the Company' s unconsolidated mines, all production costs at MLMC are capitalized into inventory and recognized in cost of sales as tons are delivered. In periods of limited or no deliveries, MLMC may be required to reduce its inventory carrying value using the lower of cost and net realizable value approach, which could adversely affect MLMC' s results of operations. Profitability at MLMC is affected by customer demand for coal and changes in the indices that determine sales price and actual costs incurred. MLMC sells lignite at contractually agreed upon prices which are subject to changes in the level of established indices over time. All production costs at MLMC are capitalized into inventory and recognized in cost of sales as tons are delivered. In periods of limited or no deliveries, MLMC may be required to reduce inventory carrying value using the lower of cost and net realizable value approach, which could adversely affect MLMC' s results of operations. Diesel fuel is heavily weighted among the indices used to determine the coal sales price. The diesel fuel- related component of the coal sales price is based on average price changes over time whereas the impact on actual costs from changes in diesel fuel prices is more immediate; therefore, fluctuations in diesel fuel prices can result in significant fluctuations in earnings at MLMC. Any reduction in customer demand at MLMC, including, but not limited to, reduced mechanical availability of the customer' s power plant, dispatch of power generated by other energy sources ahead of coal, fluctuations in demand due to unanticipated weather conditions, regulations or comparable policies which may promote planned and unplanned outages at the customer' s Red Hills Power Plant, economic conditions , including an economic slowdown and a corresponding decline in the use of electricity, governmental regulations and inflationary adjustments could have a material adverse effect on MLMC' s financial condition, results of operations and cash flows. The Coal Mining segment' s Unconsolidated Subsidiaries are subject to risks created by changes in customer demand and inflationary adjustments. The contracts with the Unconsolidated Subsidiaries' customers are primarily based on a "management fee" approach, whereby compensation includes reimbursement of all operating costs, plus a fee based on the amount of coal delivered. The fees earned adjust over time in line with various indices which reflect general U. S. inflation rates. During the production stage, the Unconsolidated Subsidiaries' customers pay us our the Company its agreed upon fee only for the coal delivered to them for consumption or use. As a result, reduced coal usage by customers for any reason, including, but not limited to, reduced availability of the customer' s power plant, dispatch of power generated by other energy sources, fluctuations in demand due to unanticipated weather conditions, scheduled-planned and unscheduled

~~unplanned~~ outages at the Coal Mining segment's customers' facilities, ~~unplanned equipment failures including U. S. power grid reliability issues,~~ economic conditions ~~or and~~ governmental regulations ~~or comparable policies which may promote dispatch of power generated by renewable energy sources, such as wind or solar, and the realignment of customers' power generation portfolios that reduce the electric power generated from coal~~ could have a material adverse effect on ~~our the Company's~~ results of operations. Because of the contractual price formulas for the management fees at these Unconsolidated Subsidiaries, the profitability of these operations is also subject to fluctuations in inflationary adjustments (or lack thereof) that can impact the agreed upon management fees. These factors could materially reduce ~~our the Company's~~ profitability. Changes in coal consumption patterns of U. S. electric power generators could adversely affect ~~our the Company's~~ profitability. The amount of coal consumed by the electric power generation industry is affected by general economic conditions; overall demand for electricity; availability of transmission; competition from alternative fuel sources for power generation, such as natural gas, nuclear, hydroelectric, wind and solar power, and the location, availability, quality and price of those alternative fuel sources; environmental and other governmental regulations, including those impacting coal-fired power plants; and energy conservation efforts and related governmental policies. Changes in the utility industry that affect NACCO's customers could also adversely affect ~~us the Company~~. The increased availability of renewable energy sources has contributed to a reduction in demand for coal-fired electric power generation. Competition from natural gas-fired plants that are relatively more efficient, less expensive to construct and less difficult to permit than coal-fired plants ~~has have~~ the most potential to continue to displace a significant amount of coal-fired electric power generation ~~in the near term~~. Federal and state mandates for increased use of electricity derived from renewable energy sources have also adversely affected demand for coal-fired electric power generation. Such mandates make alternative fuel sources more competitive with coal-fired electric power generation. ~~Any of Changes in federal and state mandates that would include an acceleration in the~~ ~~these risks~~ use of electricity derived from renewable energy sources could result in a decrease in coal consumption by ~~our the electric power generation industry and the Company's~~ customers. Any of these risks could result in a decrease in coal consumption by the Company's customers and could have a material adverse effect on ~~our the Company's~~ business, financial condition and results of operations. ~~We are~~ The Company is subject to burdensome federal and state mining regulations and the assumptions underlying ~~our the Company's~~ reclamation and mine closure obligations could be materially inaccurate. Federal and state statutes require ~~us the Company~~ to restore mine property in accordance with specified standards and an approved reclamation plan, and require that ~~we the Company~~ obtain and periodically renew permits for mining operations. Regulations require ~~us the Company~~ to incur the cost of reclaiming current mine disturbance at operations where ~~we the Company holds~~ ~~hold~~ the mining permit. Estimates of ~~our the Company's~~ total reclamation and mine closing liabilities are based upon permit requirements and ~~our the Company's~~ engineering expertise related to these requirements. While management regularly reviews the estimated reclamation liabilities and believes that appropriate accruals have been recorded for all expected reclamation and other costs associated with closed mines, the estimate can change significantly if actual costs vary from assumptions or if governmental regulations change significantly. Such changes could have a material adverse effect on ~~our the Company's~~ business and could significantly reduce ~~its our~~ profitability. The Coal Mining segment's customers' operations require significant capital expenditures. Maintaining and installing environmental controls on power plants requires significant capital expenditures. Any delay or reduction in making capital expenditures to maintain or upgrade coal-fired power plants by the Coal ~~Mining Segment segment~~'s customers, principally electric utilities, could result in an increase in outage days and a corresponding decrease in coal consumption. A decrease in coal consumption could have a material adverse effect on the Coal Mining segment's financial condition, results of operations and cash flows. ~~We~~ Mining operations are vulnerable to weather and other conditions that are beyond the Company's control. Many conditions beyond the Company's control can decrease the delivery, and therefore the use, of coal to the Company's customers. These conditions include weather, pandemics, adverse mining conditions, unexpected maintenance problems and shortages of replacement parts, any of which could significantly reduce the Company's profitability. The Company faces ~~face~~ numerous uncertainties in estimating economically recoverable reserves and resources, and inaccuracies in estimates could result in lower than expected revenues, higher than expected costs and decreased profitability. Information concerning ~~our the Company's~~ mining operations in "Item 2- Properties" on page 31-29 has been prepared in accordance with the requirements of subpart 1300 of Regulation S- K. A mineral is economically recoverable when the price at which it can be sold exceeds the costs and expenses of mining, processing and selling the mineral. Forecasts of NACCO's future performance are based on, among other things, estimates of mineral reserves and resources. Mineral reserve and resource estimates of the remaining tons of coal at MLMC are based on many factors, including engineering, economic and geological data assembled and analyzed by internal staff, which includes various engineers and geologists, the area and volume covered by mining rights, assumptions regarding extraction rates and duration of mining operations, and the quality of in-place reserves and resources. The reserve and resource estimates as to both quantity and quality are updated from time to time to reflect, among other matters, production of minerals, new mining or other data received.