Our 2012 production of 24.7 million tonnes increased from 2011 and was at the low end of our 2012 guidance. This was due largely to weak market conditions during the year, which led to our decision in mid-August to reduce production in response to declining demand. The labour disruption at Canadian Pacific Railway (CP Rail) in 2012 also affected production.

Our investments in mobile equipment, plant capacity and staffing have significantly increased our capacity to move waste, and to mine and process raw coal. During 2012, we increased our haul truck fleet size by nine units and our shovel fleet by one unit. In addition, we replaced 30 existing haul trucks and one existing shovel. All of this new equipment is state-of-the-art and large capacity, which increases the overall productivity and efficiency of our mobile equipment fleets. The expansion of the processing plant at Elkview was completed, and the Greenhills plant reached its full upgrade capacity after the 2011 expansion.

Capital spending in 2012 of $641 million included additional equipment, processing plant upgrades and new pit developments, as well as approximately $120 million for the Quintette project.

Selenium Management

Work is ongoing to develop and implement a plan for the management of selenium at all of our operating coal mines in the Elk Valley. In the course of mining, we deposit large quantities of waste rock in the valley. Water flows through that waste rock and over rock exposed during the mining process, releasing small quantities of selenium, a naturally occurring element found in the native rocks in the Elk Valley. While it is necessary for good health in humans, selenium is detrimental to fish populations at relatively low concentrations. We have commissioned extensive studies into the environmental effects of selenium. These studies have not identified population level effects on fish in the Elk Valley, but they have identified a trend of increasing selenium concentrations in the valley which is expected, in the absence of mitigation measures, to increase further as future mine expansions increase the footprint of our operations. As a result, we have devoted substantial resources to developing and implementing mitigation measures, which include water diversion works to keep clean water clean, as well as treatment facilities to remove selenium from waters affected by contact with waste rock.

Because of the scale of our operations, the substantial quantities of water involved, and the very low concentrations of selenium, identifying and implementing appropriate treatment technology is a challenge. We filed with regulatory authorities a draft valley-wide selenium management plan in the first quarter of 2013. This plan sets out an integrated approach to the construction of water diversion and treatment facilities intended to achieve acceptable selenium concentrations downstream from our mining operations. Although the plan is not yet finalized, we believe that the costs associated with installing these facilities will be substantial. Our draft plan contemplates total capital spending over the next five years of up to $600 million on the installation of water diversion and treatment facilities, much of which would be covered within our long-term average sustaining capital budget. Annual operating costs by the end of the five years are expected to be approximately $40 million per year, or less than $1.50 per tonne of coal produced. Water treatment costs are expected to increase further in future periods, as additional treatment facilities are required to manage runoff from new mining areas. While the amount of those costs will depend on the technology applied to control selenium, our current estimate, assuming no substantive changes in technology, is that by 2025 treatment costs could ultimately reach $140 million per year, or approximately $6 per tonne of coal produced. We expect that water treatment will need to continue for an indefinite period after mining operations end in order to maintain water quality.

These cost estimates assume the application of biological treatment technology, which is currently being installed in the water treatment plant under construction at our Line Creek mine. We are actively investigating alternative treatment technologies with the potential to substantially reduce treatment costs. Our draft valley-wide selenium management plan also assumes that relevant regulators will agree to site-specific downstream selenium concentrations in certain aquatic environments already affected by selenium discharges from our coal mining operations in excess of those in provincial water quality guidelines. The modelling on which our valley-wide selenium management plan is based indicates that the selenium levels we are proposing for the upper Elk and Fording rivers will result in selenium levels further downstream, including at Lake Koocanusa at the U.S. border, that comply with provincial water quality guidelines and applicable limits on selenium concentrations prescribed by the U.S. Environmental Protection Agency (EPA).