SunCoke Energy, Inc.
Form 10-K
February 16, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-35243

SUNCOKE ENERGY, INC.
(Exact name of Registrant as specified in its charter)

Delaware	90-0640593
(State of or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1011 Warrenville Road, Suite 600 Lisle, Illinois	60532
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: (630) 824-1000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ý
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý
The aggregate market value of the registrant's common stock (based upon the June 30, 2016 closing price of $5.82 on the New York Stock Exchange) held by non-affiliates was approximately $370,725,107.
The number of shares of common stock outstanding as of February 10, 2017 was 64,229,647.
Portions of the SunCoke Energy, Inc. 2017 definitive Proxy Statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2016, are incorporated by reference in Part III of this Form 10-K.

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PART I

Item 1. Business

Overview

SunCoke Energy, Inc. (“SunCoke Energy,” “Company,” “we,” “our” and “us”) is the largest independent producer of high-quality coke in the Americas, as measured by tons of coke produced each year, and has more than 50 years of coke production experience. Coke is a principal raw material in the blast furnace steelmaking process and is produced by heating metallurgical coal in a refractory oven, which releases certain volatile components from the coal, thus transforming the coal into coke. We also provide coal handling and/or mixing services at our Coal Logistics terminals to steel, coke (including some of our domestic cokemaking facilities), electric utility and coal mining customers.
Our consolidated financial statements include SunCoke Energy Partners, L.P. (the "Partnership"), a publicly-traded master limited partnership. As of December 31, 2016, we owned the general partner of the Partnership, which owns a 2.0 percent general partner interest and incentive distribution rights ("IDRs") in the Partnership, and owned a 53.9 percent limited partner interest in the Partnership. The remaining 44.1 percent interest in the Partnership was held by public unitholders.
On October 31, 2016, the Company announced that it had submitted a proposal to the Board of Directors of the general partner of the Partnership to acquire all of the Partnership’s common units not already owned by the Company ("Simplification Transaction"). The proposed transaction is to be structured as a merger of the Partnership with a wholly-owned subsidiary of the Company, and is subject to the negotiation and execution of definitive documents and approval of our Board of Directors and the Conflicts Committee of the Partnership's Board of Directors. The Conflicts Committee, which is composed of only the independent directors of the Board of Directors of the Partnership’s general partner, is considering the proposal pursuant to applicable procedures established in the Partnership’s partnership agreement and the Conflicts Committee’s charter. The transaction also will require majority approval of our common stockholders. We own a majority of the Partnership's common units and intend to vote in favor of the transaction. The proposed Simplification Transaction is also conditioned upon receipt of customary regulatory approvals.
Incorporated in Delaware since 2010 and headquartered in Lisle, Illinois, we became a publicly-traded company in 2011 and our stock is listed on the New York Stock Exchange (“NYSE”) under the symbol “SXC.”

Business Segments

We report our business results through four segments:

- Domestic Coke consists of our Jewell Coke Company, L.P. ("Jewell"), Indiana Harbor Coke Company ("Indiana Harbor"), Haverhill Coke Company LLC ("Haverhill"), Gateway Energy and Coke Company, LLC ("Granite City") and Middletown Coke Company, LLC ("Middletown") cokemaking and heat recovery operations located in Vansant, Virginia; East Chicago, Indiana; Franklin Furnace, Ohio; Granite City, Illinois; and Middletown, Ohio, respectively.
- Brazil Coke consists of our operations in Vitória, Brazil, where we operate a cokemaking facility, ArcelorMittal Brasil S.A. ("ArcelorMittal Brazil”), for a Brazilian subsidiary of ArcelorMittal S.A. ("ArcelorMittal");
- Coal Logistics consists of our Convent Marine Terminal ("CMT"), Kanawha River Terminals, LLC ("KRT"), SunCoke Lake Terminal, LLC ("Lake Terminal"), and Dismal River Terminal, LLC ("DRT") coal handling and/or mixing service operations in Convent, Louisiana; Ceredo and Belle, West Virginia; East Chicago, Indiana; and Vansant, Virginia. Lake Terminal and DRT are located adjacent to our Indiana Harbor and Jewell cokemaking facilities, respectively.
- Coal Mining consisted of our metallurgical coal mining activities conducted in Virginia and West Virginia, until the business was divested in April 2016.

For additional information regarding our business segments, see “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 21 to our consolidated financial statements.

Cokemaking Operations

The following table sets forth information about our cokemaking facilities:

Facility	Location	Customer	Year of Start Up	Contract Expiration	Number of Coke Ovens	Annual Cokemaking Capacity (thousands of tons)	Use of Waste Heat
Owned and Operated:							
Jewell	Vansant, Virginia	ArcelorMittal	1962	2020	142	720	Partially used for thermal coal drying
Indiana Harbor	East Chicago, Indiana	ArcelorMittal	1998	2023	268	1,220	Heat for power generation
Haverhill Phase I	Franklin Furnace, Ohio	ArcelorMittal	2005	2020	100	550	Process steam
Haverhill Phase II	Franklin Furnace, Ohio	AK Steel	2008	2022	100	550	Power generation
Granite City	Granite City, Illinois	U.S. Steel	2009	2025	120	650	Steam for power generation
Middletown(1)	Middletown, Ohio	AK Steel	2011	2032	100	550	Power generation
Total					830	4,240	
Operated:							
Vitória	Vitória, Brazil	ArcelorMittal	2007	2023	320	1,700	Steam for power generation
					1,150	5,940	
Equity Method Investment:							
VISA SunCoke(2)	Odisha, India	Various	2007	NA	88	440	Steam for power generation
Total					1,238	6,380	

(1) Cokemaking capacity represents stated capacity for production of blast furnace coke. Middletown production and sales volumes are based on “run of oven” capacity, which includes both blast furnace coke and small coke. Using the stated capacity, Middletown capacity on a “run of oven” basis is approximately 578 thousand tons per year.

(2) We hold a 49 percent investment in a cokemaking joint venture with VISA Steel Limited ("VISA Steel") in India called VISA SunCoke Limited ("VISA SunCoke"), which was fully impaired in 2015, and consequently, beginning in the fourth quarter of 2015, we no longer included our share of VISA SunCoke in our financial results. Cokemaking capacity represents 100 percent of VISA SunCoke.

We are a technological leader in cokemaking. We have designed, developed, built, own and operate five cokemaking facilities in the United States (“U.S.”) with collective nameplate capacity to produce approximately 4.2 million tons of coke per year. Additionally, we have designed and operate one cokemaking facility in Brazil under licensing and operating agreements on behalf of ArcelorMittal Brasil S.A. ("ArcelorMittal Brazil”), which has approximately 1.7 million tons of annual cokemaking capacity. Our cokemaking ovens utilize efficient, modern heat recovery technology designed to combust the coal’s volatile components liberated during the cokemaking process and use the resulting heat to create steam or electricity for sale. This differs from by-product cokemaking, which repurposes the coal’s liberated volatile components for other uses. We have constructed the only greenfield cokemaking facilities in the U.S. in more than 25 years and are the only North American coke producer that utilizes heat recovery technology in the cokemaking process.

We believe our advanced heat recovery cokemaking process has numerous advantages over by-product cokemaking, including producing higher quality coke, using waste heat to generate derivative energy for resale and reducing the

environmental impact. The Clean Air Act Amendments of 1990 specifically directed the U.S. Environmental Protection Agency (“EPA”) to evaluate our heat recovery coke oven technology as a basis for establishing Maximum Achievable Control Technology (“MACT”) standards for new cokemaking facilities. In addition, each of the four cokemaking facilities that we have built since 1990 has either met or exceeded the applicable Best Available Control Technology (“BACT”), or Lowest Achievable Emission Rate (“LAER”) standards, as applicable, set forth by the EPA for cokemaking facilities at that time.
Our Granite City facility, the first phase of our Haverhill facility, or Haverhill I, and our VISA SunCoke joint venture have steam generation facilities, which use hot flue gas from the cokemaking process to produce steam for sale to customers pursuant to steam supply and purchase agreements. Granite City sells steam to United States Steel Corporation ("U.S. Steel"), VISA SunCoke sells steam to VISA Steel and Haverhill I provides steam, at no cost, to Altivia

Petrochemicals, LLC ("Altivia"), which purchased its facility out of bankruptcy from a third-party, Haverhill Chemicals LLC, in 2015. Altivia provides boiler feed water to Haverhill I, which enables the heat recovery steam generators to operate. The heat recovery steam generators cool the flue gas for desulfurization and produce steam. While the Company is not currently generating revenues from providing steam to Altivia, the current arrangement, for which rates may be renegotiated beginning in 2018, mitigates costs associated with disposing of steam. In an effort to mitigate risks associated with any potential disruptions to the boiler feed water, the Partnership began a capital project in 2016, which it expects to complete in 2017, to allow Haverhill I to procure its own boiler feed water. The Partnership anticipates investing approximately $3 million in this project, of which $1.9 million was spent in 2016.
Our Middletown facility and the second phase of our Haverhill facility, or Haverhill II, have cogeneration plants that use the hot flue gas created by the cokemaking process to generate electricity, which either is sold into the regional power market or to AK Steel Holding Corporation ("AK Steel") pursuant to energy sales agreements.
Our core business model is predicated on providing steelmakers an alternative to investing capital in their own captive coke production facilities. We direct our marketing efforts principally towards steelmaking customers that require coke for use in their blast furnaces. Substantially all our coke sales are made pursuant to long-term, take-or-pay agreements with ArcelorMittal S.A. ("ArcelorMittal"), AK Steel and U.S. Steel, who are three of the largest blast furnace steelmakers in North America, each of which individually accounts for greater than ten percent of our consolidated revenues. The take-or-pay provisions require us to produce the contracted volumes of coke and require our customers to purchase such volumes of coke up to a specified tonnage or pay the contract price for any tonnage they elect not to take. As a result, our ability to produce the contracted coke volume is a key determinant of our profitability. We generally do not have significant spot coke sales since our domestic capacity is consumed by long-term contracts; accordingly, spot prices for coke do not generally affect our revenues. To date, our coke customers have satisfied their obligations under these agreements.
Our coke sales agreements have an average remaining term of approximately eight years and contain pass-through provisions for costs we incur in the cokemaking process, including coal and coal procurement costs, subject to meeting contractual coal-to-coke yields, operating and maintenance expenses, costs related to the transportation of coke to our customers, taxes (other than income taxes) and costs associated with changes in regulation. When targeted coal-to-coke yields are achieved, the price of coal is not a significant determining factor in the profitability of these facilities, although it does affect our revenue and cost of sales for these facilities in approximately equal amounts. However, to the extent that the actual coal-to-coke yields are less than the contractual standard, we are responsible for the cost of the excess coal used in the cokemaking process. Conversely, to the extent our actual coal-to-coke yields are higher than the contractual standard, we realize gains. As coal prices increase, the benefits associated with favorable coal-to-coke yields also increase. These features of our coke sales agreements reduce our exposure to variability in coal price changes and inflationary costs over the remaining terms of these agreements. The coal component of the Jewell coke price is fixed annually for each calendar year based on the weighted-average contract price of third-party coal purchases at our Haverhill facility applicable to ArcelorMittal coke sales.
Our coke prices include both an operating cost component and a fixed fee component. Operating costs under three of our coke sales agreements are fixed subject to an annual adjustment based on an inflation index. Under our other three coke sales agreements, operating costs are passed through to the respective customers subject to an annually negotiated budget, in some cases subject to a cap annually adjusted for inflation, and we share any difference in costs from the budgeted amounts with our customers. Beginning in 2015, the operating and maintenance cost recovery mechanism in our Indiana Harbor coke sales agreement shifted from an annually negotiated budget amount with a cap to a fixed recovery per ton. Accordingly, actual operating costs in excess of caps or budgets can have a significant impact on the profitability of all of our domestic cokemaking facilities. In 2018, the operating cost component of our contract at Indiana Harbor reverts to an annually negotiated budget, which is expected to have a favorable impact on our future results. The fixed fee component for each ton of coke sold to the customer is determined at the time the coke sales agreement is signed and is effective for the term of each sales agreement. The fixed fee is intended to provide an adequate return on invested capital and may differ based on investment levels and other considerations. The actual return on invested capital at any facility is based on the fixed fee per ton and favorable or unfavorable performance on pass-through cost items.

The coke sales agreement and energy sales agreement with AK Steel at our Haverhill facility are subject to early termination by AK Steel under limited circumstances, such as AK Steel permanently shutting down operation of the iron production portion of its Ashland plant and not acquiring or beginning construction of a new blast furnace in the U.S. to replace, in whole or in part, the Ashland plant's iron production capacity, and provided that AK Steel has given at least two years prior notice of its intention to terminate the agreement and certain other conditions are met. No other coke sales contract has an early termination clause.

While our steelmaking customers are operating in an environment that is challenged by global overcapacity, our customers have been able to strengthen their capital and liquidity structure by raising debt and equity during 2016. Additionally, 2016 saw a decline in steel imports compared to 2015, a rebound in steel pricing and positive signals from the new presidential administration on trade and infrastructure. Despite the improved market trends in 2016, AK Steel and U.S. Steel have kept portions of their Ashland Kentucky Works facility and Granite City Works facility idled as they await further signs of market stability. Despite market challenges, our customers continue to comply with the terms of their long-term, take-or-pay contracts with us.

Revenues from our Brazilian cokemaking facility are derived from licensing and operating fees, which include a fixed annual licensing fee, a licensing fee based upon the level of production required by our customer and full pass-through of the operating costs of the facility.

On November 28, 2016, ArcelorMittal Brazil redeemed SunCoke’s indirectly held preferred and common equity interest in Sol Coqueria Tubarão S.A. ("Brazil Investment") for consideration of $41.0 million, an amount equal to our carrying value of the investment. The Company received $20.5 million in cash at closing and will receive the remaining $20.5 million in cash, plus interest at an annual interest rate of 3 percent, in the second quarter of 2017. With the redemption of the Brazil Investment, the Company will no longer receive the $9.5 million annual preferred dividend. Additionally, in 2016, SunCoke added certain new patents to its existing intellectual property licensing agreement for which SunCoke will earn an incremental $5.1 million in annual licensing fees through 2023. The Company also extended the life of its patents with the Brazilian authorities through 2033, providing opportunity to extend the existing licensing agreement beyond 2023.

Coal Logistics Operations

Our Coal Logistics segment consists of CMT, KRT, Lake Terminal and DRT. CMT is one of the largest export terminals on the U.S. Gulf Coast. CMT provides strategic access to seaborne markets for coal and other industrial materials. Supporting low-cost Illinois basin coal producers, the terminal provides loading and unloading services and has direct rail access and the current capability to transload 15 million tons of coal annually due to its recently commissioned ship loader. The facility is supported by long-term contracts with volume commitments covering 10 million tons of its coal handling capacity as well as 350 thousand liquid tons and additional merchant coal business. KRT is a leading metallurgical and thermal coal mixing and handling terminal service provider with collective capacity to mix and transload 25 million tons of coal annually through its two operations in West Virginia. Lake Terminal is located in East Chicago, Indiana and provides coal handling and mixing services to SunCoke's Indiana Harbor cokemaking operations. DRT was formed in 2016 to accommodate our Jewell cokemaking facility in its direct procurement of third-party coal.

Our five coal handling terminals have the collective capacity to mix and/or transload more than 40 million tons of coal annually and have storage capacity of approximately 3 million tons. Our coal terminals act as intermediaries between coal producers and coal end users by providing transloading, storage and mixing services. Coal is transported from the mine site in numerous ways, including rail, truck, barge or ship. We do not take possession of coal but instead derive our revenues by providing coal handling and/or mixing services to our customers on a per ton basis. Revenues are recognized when services are provided as defined by customer contracts. For CMT, cash received from customers for quarterly take-or-pay billings based on pro-rata volume commitments under take-or-pay contracts that is in excess of cash earned for services provided during the quarter is recorded as deferred revenue. Deferred revenue on take-or-pay contracts is recognized into income at the earlier of when service is provided or annually based on the terms of the contract. Our coal mixing and/or handling services are provided to steel, coal mining, coke (including some of our domestic cokemaking facilities) and electric utility customers. Services provided to our domestic cokemaking facilities are provided under contracts with terms equivalent to those of an arm's-length transactions.

The financial performance of our coal logistics business is substantially dependent upon a limited number of customers. Our CMT customers are impacted by seaborne export market dynamics. Fluctuations in the benchmark price for coal delivery into northwest Europe, as referenced in the Argus/McCloskey's Coal Price Index report ("API2 index price"), contribute to our customers' decisions to place tons into the export market and thus impact transloading volumes through our terminal facility. Our KRT terminals are primarily impacted by the domestic coal markets in which its customers operate and generally benefit from extreme weather conditions.

While the thermal and metallurgical coal markets were severely challenged during the first half of 2016, they improved over the second half of the year. At least four formerly bankrupt major coal producers have emerged from reorganization under Chapter 11 of the U.S. Bankruptcy Code, and a number of formerly idled coal mines have been brought back into service. Additionally, domestic and global metallurgical and thermal coal prices have surged from previous lows during early 2016, resulting in improved mining economics for our customers, which significantly increased tonnage at our terminals in the fourth quarter of 2016. The API2 index price at the end of 2016 more than doubled from lows in early 2016 as a result of natural gas storage issues and reduced nuclear power and hydropower generation in Europe. Domestically, natural gas prices have stabilized and slightly increased since March 2016, which has improved the economics of coal-fired electric generating stations and led to an increase in demand for coal, and therefore, increased the potential for higher volumes of coal logistics services.

Coal Mining Operations

The domestic metallurgical coal markets remained challenged during early 2016 as the drastic and sustained decline in coal prices led to several coal producers filing for Chapter 11 bankruptcy protection. Despite our own diligent efforts to reduce costs by rationalizing our mining footprint, this challenged environment was likely to prevent us from generating positive cash flow from our mining operations for the foreseeable future. As a result, we divested our Coal Mining business in April 2016, which included approximately 250 acres of land owned in Russell County, Virginia and approximately 90 thousand acres of leased small parcels of land, mineral rights and coal mining rights in Buchanan and Russell Counties, Virginia and McDowell County, West Virginia. We entered into a coal supply agreement whereby the buyer, Revelation Energy, LLC ("Revelation"), will supply approximately 300,000 tons of coal to our Jewell cokemaking facility annually for five years at a market rate. The delivered cost, as compared to alternative coal sources, is favorable due to the proximity of the Jewell cokemaking facility to the mines. The Company retained certain asset retirement obligations related to certain contractual obligations, including the retirement and removal of long-lived assets from certain properties associated with our former coal mining business.

Seasonality

Our revenues in our cokemaking business and much of our coal logistics business are tied to long-term, take-or-pay contracts and as such, are not seasonal. However, our cokemaking profitability is tied to coal-to-coke yields, which improve in drier weather. Accordingly, the coal-to-coke yield component of our profitability tends to be more favorable in the third quarter. Extreme weather may also challenge our operating costs and production in the winter months for our domestic coke business. Additionally, excessively hot summer weather or cold winter weather, may increase commercial and residential needs for heat or air conditioning which in turn, may increase electricity usage and the demand for thermal coal and, therefore, may favorably impact our coal logistics business.

Raw Materials

Metallurgical coal is the principal raw material for our cokemaking operations. All of the metallurgical coal used to produce coke at our domestic cokemaking facilities is purchased from third-parties. We believe there is an ample supply of metallurgical coal available in the U.S. and worldwide, and we have been able to supply coal to our domestic cokemaking facilities without any significant disruption in coke production.

Each ton of coke produced at our facilities requires approximately 1.4 tons of metallurgical coal. We purchased 5.5 million tons of metallurgical coal in 2016. Coal from third-parties is generally purchased on an annual basis via one-year contracts with costs passed through to our customers in accordance with the applicable coke sales agreements. Occasionally, shortfalls in deliveries by coal suppliers require us to procure supplemental coal volumes. As with typical annual purchases, the cost of these supplemental purchases is also passed through to our customers. In 2017, certain of our coal contracts contain an option, at the Company's discretion, to reduce our commitment by up to 15 percent. Most coal procurement decisions are made through a coal committee structure with customer participation. The customer can generally exercise an overriding vote on most coal procurement decisions.

While we generally pass coal costs through to our coke customers, all of our contracts include some form of coal-to-coke yield standard. To the extent that our actual yields are less than the standard in the contract, we are at risk for the cost of the excess coal used in the cokemaking process. Conversely, to the extent actual yields are higher than contractual standards we are able to realize higher margins.

Transportation and Freight

For inbound transportation of coal purchases, our facilities that access a single rail provider have long-term transportation agreements, and where necessary, coal-mixing agreements that run concurrently with the associated coke sales agreement for the facility. At facilities with multiple transportation options, including rail and barge, we enter into short-term transportation contracts from year to year. For coke sales, the point of delivery varies by agreement and facility. The point of delivery for coke sales from our Jewell and Haverhill cokemaking facilities is generally designated by the customer and shipments are made by railcar under long-term transportation agreements held by us. All delivery costs are passed through to the customers. At our Middletown, Indiana Harbor and Granite City cokemaking facilities, coke is delivered primarily by a conveyor belt leading to the customer’s blast furnace, with the customer responsible for additional transportation costs, if any. All transportation and freight costs in our Coal Logistics segment are paid by the customer directly to the transportation provider.

Research and Development and Intellectual Property and Proprietary Rights

Our research and development program seeks to develop promising new cokemaking technologies and improve our heat recovery processes. Over the years, this program has produced numerous patents related to our heat recovery coking design and operation, including patents for pollution control systems, oven pushing and charging mechanisms, oven flue gas control mechanisms and various others.

At Indiana Harbor and Vitória, Brazil, where we do not own 100 percent of the entity owning the cokemaking facility, we have licensing agreements in place for the entity’s use of our technology. At Indiana Harbor, we receive no payment for the licensing rights. At Vitória, starting in 2016, in addition to the current per ton licensing fee, SunCoke will receive an incremental $5.1 million in licensing fees per year through 2023 related to the addition of certain patents to its existing intellectual property licensing agreement, which are currently in use by ArcelorMittal Brazil at the Brazil facility. At VISA SunCoke, our joint venture with VISA Steel in India, our technology is not currently in use, but the parties have agreed to enter into a license agreement should our technology be used in the future.

We are party to an omnibus agreement with the Partnership, which grants the Partnership a royalty-free license to use the name “SunCoke” and related trademarks. Additionally, the omnibus agreement grants the Partnership a non-exclusive right to use all of our current and future cokemaking and related technology necessary for their operations.

Competition

Cokemaking

The cokemaking business is highly competitive. Most of the world’s coke production capacity is owned by blast furnace steel companies utilizing by-product coke oven technology. The international merchant coke market is largely supplied by Chinese, Colombian and Ukrainian producers, among others, though it is difficult to maintain high quality coke in the export market, and when coupled with transportation costs, coke imports into the U.S. are often not economical.

The principal competitive factors affecting our cokemaking business include coke quality and price, reliability of supply, proximity to market, access to metallurgical coals and environmental performance. Our oven design and heat recovery technology plays a role in all of these factors. Competitors include merchant coke producers as well as the cokemaking facilities owned and operated by blast furnace steel companies.

In the past, there have been technologies which have sought to produce carbonaceous substitutes for coke in the blast furnace. While none have proven commercially viable thus far, we monitor the development of competing technologies carefully. We also monitor ferrous technologies, such as direct reduced iron production ("DRI"), as these could indirectly impact our blast furnace customers.

We believe we are well-positioned to compete with other coke producers. Current production from our cokemaking business is largely committed under long-term take-or-pay contracts. As a result, competition mainly affects our ability to obtain new contracts supporting development of additional cokemaking capacity, re-contracting existing facilities, as well as the sale of coke in the spot market. Our facilities were constructed using proven, industry-leading technology with many proprietary features allowing us to produce consistently higher quality coke than our competitors produce. Additionally, our technology allows us to produce heat that can be converted into steam or electrical power.

Coal Logistics

The coal mixing and/or handling service market is highly competitive in the geographic area of our operations. The principal competitive factors affecting our coal logistics business include proximity to the source of coal as well as the nature and price of our services provided. We believe we are well-positioned to compete with other coal mixing and/or handling terminal service providers.

Our KRT competitors are generally located within 100 miles of our operations. KRT has state-of-the-art mixing capabilities with fully automated and computer-controlled mixing that mixes coal to within two percent accuracy of customer specifications. KRT also has the ability to provide pad storage and has access to both CSX and Norfolk Southern rail lines as well as the Ohio River system.

The principal competitors of CMT, who serve the coal export market, are located on the U.S. Gulf Coast or U.S. East Coast. CMT is one of the largest export terminals on the U.S. Gulf Coast and provides strategic access to seaborne markets for coal and other industrial materials. In 2016, CMT built a new state-of-the-art ship loader, which allows for faster coal loading onto larger ships. We believe the new ship loader has the fastest loading rate available in the Gulf

Region which should allow our customers to benefit from lower shipping costs. Additionally, CMT is the only terminal in the lower U.S. with direct rail access on the Canadian National Railway, which provides a competitive advantage.

Lake Terminal and DRT provide coal handling and/or mixing services to our Indiana Harbor and Jewell cokemaking facilities, respectively, and therefore, do not have any competitors.

Employees

As of December 31, 2016, we have approximately 907 employees in the U.S. Approximately 38 percent of our domestic employees, principally at our cokemaking operations, are represented by the United Steelworkers union under various contracts. Additionally, approximately 3 percent of our domestic employees are represented by the International Union of Operating Engineers. The labor agreement at our Indiana Harbor cokemaking facility expired on September 1, 2015. Operations have continued under the expired contract with the renewal pending resolution of select key economic provisions. We do not anticipate any work stoppages during the continued negotiations. The labor agreement at our Granite City cokemaking facility will expire on August 31, 2017. We will negotiate the renewal of this agreement in 2017 and do not anticipate any work stoppages.

As of December 31, 2016, we have approximately 267 employees at the cokemaking facility in Vitória, Brazil, all of whom are represented by a union under a labor agreement. In 2016, we reached a new one-year labor agreement at our Vitoria, Brazil facility which will expire on October 31, 2017. We will negotiate the renewal of this agreement in 2017 and do not anticipate any work stoppages.

Safety

We are committed to maintaining a safe work environment and ensuring strict environmental compliance across all of our operations as the health and safety of our employees and the communities in which we operate are critical to our success. We believe that we employ best practices and conduct continual training programs to ensure that all of our employees are focused on safety. Furthermore, we employ a structured safety and environmental process that provides a robust framework for managing and monitoring safety and environmental performance.

We have consistently operated within the top quartile for the U.S. Occupational Safety and Health Administration’s recordable injury rates as measured and reported by the American Coke and Coal Chemicals Institute.

Legal and Regulatory Requirements

The following discussion summarizes the principal legal and regulatory requirements that we believe may significantly affect us.

Permitting and Bonding

- Permitting Process for Cokemaking Facilities. The permitting process for our cokemaking facilities is administered by the individual states. However, the main requirements for obtaining environmental construction and operating permits are found in the federal regulations. Once all requirements are satisfied, a state or local agency produces an initial draft permit. Generally, the facility reviews and comments on the initial draft. After accepting or rejecting the facility’s comments, the agency typically publishes a notice regarding the issuance of the draft permit and makes the permit and supporting documents available for public review and comment. A public hearing may be scheduled, and the U.S. Environmental Protection Agency ("EPA") also has the opportunity to comment on the draft permit. The state or local agency responds to comments on the draft permit and may make revisions before a final construction permit is issued. A construction permit allows construction and commencement of operations of the facility and is generally valid for at least 18 months. Generally, construction commences during this period, while many states allow this period to be extended in certain situations.
- Air Quality. Our cokemaking facilities employ Maximum Available Control Technology (“MACT”) standards designed to limit emissions of certain hazardous air pollutants. Specific MACT standards apply to door leaks, charging, oven pressure, pushing and quenching. Certain MACT standards for new cokemaking facilities were developed using test data from SunCoke's Jewell cokemaking facility located in Vansant, Virginia. Under applicable federal air quality regulations, permitting requirements may differ among facilities, depending upon whether the cokemaking facility will be located in an “attainment” area—i.e., one that meets the national ambient air quality standards (“NAAQS”) for certain pollutants, or in a “non-attainment” or "unclassifiable" area. The status of an area may change over time as new NAAQS standards are adopted, resulting in an area change from one status or classification to another. In an

attainment area, the facility must install air pollution control equipment or employ Best Available Control Technology (“BACT”).

In a non-attainment area, the facility must install air pollution control equipment or employ procedures that meet Lowest Achievable Emission Rate (“LAER”) standards. LAER standards are the most stringent emission limitation achieved in practice by existing facilities. Unlike the BACT analysis, cost is generally not considered as part of a LAER analysis, and emissions in a non-attainment area must be offset by emission reductions obtained from other sources.

- Stringent NAAQS for ambient nitrogen dioxide and sulfur dioxide went into effect in 2010. In July 2013, the EPA identified or "designated" as non-attainment 29 areas in 16 states where monitored air quality showed violations of the 2010 1-hour SO2 NAAQS. In August 2015, the EPA finalized a new rulemaking to assist in implementation of the primary 1-hour SO2 NAAQS that requires either additional monitoring, or modeling of ambient air SO2 levels in various areas including where certain of our facilities are located. By July 2016, states subject to this rulemaking were required to provide EPA with either a modeling approach using existing emissions data, or a plan to undertake ambient air monitoring for SO2 to begin in 2017. For states that choose to install ambient air SO2 monitoring stations, after three years of data has been collected, or sometime in 2020, the EPA will evaluate this data relative to the appropriate attainment designation for the areas under the 1-hour SO2 NAAQS. This rulemaking will require certain of our facilities to undertake this ambient air monitoring. We may be required to install additional pollution controls and incur greater costs of operating at those of our facilities located in areas that EPA determines to be non-attainment with the 1-hour SO2 NAAQS based on its evaluation of this data. In 2012, a NAAQS for fine particulate matter, or PM 2.5, went into effect. In November 2015, the EPA revised the existing NAAQS for ground level ozone to make the standard more stringent. These new standards and any future more stringent standard for ozone have two impacts on permitting: (1) demonstrating compliance with the standard using dispersion modeling from a new facility will be more difficult; and (2) additional areas of the country may become designated as non-attainment areas. Facilities operating in areas that become non-attainment areas due to the application of new standards may be required to install Reasonably Available Control Technology (“RACT”). A number of states have also filed or joined suits to challenge the EPA’s new standard in court. While we are not able to determine the extent to which this new standard will impact our business at this time, it does have the potential to have a material impact on our operations and cost structure.
- The EPA adopted a rule in 2010 requiring a new facility that is a major source of greenhouse gases (“GHGs”) to install equipment or employ BACT procedures. Currently, there is little information on what may be acceptable as BACT to control GHGs (primarily carbon dioxide from our facilities), but the database and additional guidance may be enhanced in the future.
- Several states have additional requirements and standards other than those in the federal statutes and regulations. Many states have lists of “air toxics” with emission limitations determined by dispersion modeling. States also often have specific regulations that deal with visible emissions, odors and nuisance. In some cases, the state delegates some or all of these functions to local agencies.
- Wastewater and Stormwater. Our heat recovery cokemaking technology does not produce process wastewater as is typically associated with by-product cokemaking. Our cokemaking facilities, in some cases, have wastewater discharge and stormwater permits.
- Waste. The primary solid waste product from our heat recovery cokemaking technology is calcium sulfate from flue gas desulfurization, which is generally taken to a solid waste landfill. The material from periodic cleaning of heat recovery steam generators is disposed of as hazardous waste. On the whole, our heat recovery cokemaking process does not generate substantial quantities of hazardous waste.
- U.S. Endangered Species Act. The U.S. Endangered Species Act and certain counterpart state regulations are intended to protect species whose populations allow for categorization as either endangered or threatened. With respect to permitting additional cokemaking facilities, protection of endangered or threatened species may have the effect of prohibiting, limiting the extent of or placing permitting conditions on soil removal, road building and other activities in areas containing the affected species. Based on the species that have been designated as endangered or threatened on our properties and the current application of these laws and regulations, we do not believe that they are likely to have a material adverse effect on our operations.
- Permitting Process for Former Coal Mining Operations. The U.S. coal mining permit application process is initiated by collecting baseline data to adequately assess and model the pre-mine environmental condition of the permit area,

including geologic data, soil and rock structures, cultural resources, soils, surface and

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ground water hydrology, and coal that we intend to mine. We use this data to develop a mine and reclamation plan, which incorporate provisions of the Surface Mining Control and Reclamation Act of 1977 (“SMCRA”), state programs and complementary environmental programs that impact coal mining. The permit application includes the mine and reclamation plan, documents defining ownership and agreements pertaining to coal, minerals, oil and gas, water rights, rights of way and surface land and documents required by the Office of Surface Mining Reclamation and Enforcement’s (“OSM’s”) Applicant Violator System. Once a permit application is submitted to the regulatory agency, it goes through a completeness and technical review before a public notice and comment period. Some SMCRA mine permits take over a year to prepare, depending on the size and complexity of the mine, and often take six months to two years to be issued. Regulatory authorities have considerable discretion in the timing of the permit issuance and the public has the right to comment on and otherwise engage in the permitting process, including through public hearings and intervention in the courts. Final guidance released by the CEQ regarding climate change considerations in the NEPA analyses may increase the likelihood of future challenges to the NEPA documents prepared for actions requiring federal approval. SMCRA mine permits also take a significant period of time to be transferred.

- Bonding Requirements for Permits Related to Former Coal Mining Operations. Before a SMCRA permit is issued, a mine operator must submit a bond or other form of financial security to guarantee the payment and performance of certain long-term mine closure and reclamation obligations. The costs of these bonds or other forms of financial security have fluctuated in recent years and the market terms of surety bonds generally have become more unfavorable to mine operators. Surety providers are requiring greater amounts of collateral to secure a bond, which has required us to provide increasing quantities of cash to collateralize bonds or other forms of financial security to allow us to continue mining. These changes in the terms of the bonds have been accompanied, at times, by a decrease in the number of companies willing to issue surety bonds. As of December 31, 2016, we have posted an aggregate of approximately $25 million in surety bonds or other forms of financial security for reclamation purposes.

Regulation of Operations

- Clean Air Act. The Clean Air Act and similar state laws and regulations affect our cokemaking operations, primarily through permitting and/or emissions control requirements relating to particulate matter (“PM”) and sulfur dioxide (“SO2”). The Clean Air Act air emissions programs that may affect our operations, directly or indirectly, include, but are not limited to: the Acid Rain Program; NAAQS implementation for SO2, PM and nitrogen oxides (“NOx”); GHG rules; the Clean Air Interstate Rule; MACT emissions limits for hazardous air pollutants; the Regional Haze Program; New Source Performance Standards (“NSPS”); and New Source Review. The Clean Air Act requires, among other things, the regulation of hazardous air pollutants through the development and promulgation of various industry-specific MACT standards. Our cokemaking facilities are subject to two categories of MACT standards. The first category applies to pushing and quenching. The EPA is to make a risk-based determination for pushing and quenching emissions and determine whether additional emissions reductions are necessary, but the EPA has yet to publish or propose any residual risk standards; therefore, the impact of potential additional EPA regulation in this area cannot be estimated at this time. The second category of MACT standards applicable to our cokemaking facilities applies to emissions from charging and coke oven doors.
- Terminal Operations. Our terminal operations located along waterways and the Gulf of Mexico are also governed by permitting requirements under the CWA and CAA. These terminals are subject to U.S. Coast Guard regulations and comparable state statutes regarding design, installation, construction, and management. Many such terminals owned and operated by other entities that are also used to transport coal, including for export, have been pursued by environmental interest groups for alleged violations of their permits’ requirements, or have seen their efforts to obtain or renew such permits contested by such groups. While we believe that our operations are in material compliance with these permits, we cannot assure you that no such challenges or claims will be made against our operations in the future. Moreover, our terminal operations may be affected by the impacts of additional regulation on the mining of all types of coal and use of thermal coal for fuel, which is restricting supply in some markets and may reduce the volumes of coal that our terminals manage.
- Federal Energy Regulatory Commission. The Federal Energy Regulatory Commission (“FERC”) regulates the sales of electricity from our Haverhill and Middletown facilities, including the implementation of the Federal Power Act (“FPA”) and the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The nature of the operations of the Haverhill

and Middletown facilities makes each facility a qualifying facility under

PURPA, which exempts the facilities and the Company from certain regulatory burdens, including the Public Utility Holding Company Act of 2005 ("PUHCA"), limited provisions of the FPA, and certain state laws and regulation. FERC has granted requests for authority to sell electricity from the Haverhill and Middletown facilities at market-based rates and the entities are subject to FERC's market-based rate regulations, which require regular regulatory compliance filings.

- Clean Water Act of 1972. Although our cokemaking facilities generally do not have water discharge permits, the Clean Water Act ("CWA") may affect our operations by requiring water quality standards generally and through the National Pollutant Discharge Elimination System ("NPDES"). Regular monitoring, reporting requirements and performance standards are requirements of NPDES permits that govern the discharge of pollutants into water. Discharges must either meet state water quality standards or be authorized through available regulatory processes such as alternate standards or variances. Additionally, through the CWA Section 401 certification program, states have approval authority over federal permits or licenses that might result in a discharge to their waters.
- Resource Conservation and Recovery Act. We may generate wastes, including "solid" wastes and "hazardous" wastes that are subject to the Resource Conservation and Recovery Act ("RCRA") and comparable state statutes, although certain mining and mineral beneficiation wastes and certain wastes derived from the combustion of coal currently are exempt from regulation as hazardous wastes under RCRA. The EPA has limited the disposal options for certain wastes that are designated as hazardous wastes under RCRA. Furthermore, it is possible that certain wastes generated by our operations that currently are exempt from regulation as hazardous wastes may in the future be designated as hazardous wastes, and therefore be subject to more rigorous and costly management, disposal and clean-up requirements.
- Climate Change Legislation and Regulations. Our facilities are presently subject to the GHG reporting rule, which obligates us to report annual emissions of GHGs. The EPA also finalized a rule in 2010 requiring a new facility that is a major source of GHGs to install equipment or employ BACT procedures. Currently there is little information as to what may constitute BACT for GHG in most industries. We may also be subject to the EPA's "Tailoring Rule," where certain modifications to our facilities could subject us to the additional permitting and other obligations relative to emissions of GHGs under the New Source Review/Prevention of Significant Deterioration ("NSR/PSD") and Title V programs of the Clean Air Act based on whether the facility triggered NSR/PSD because of emissions of another pollutant such as SO2, NOx, PM, ozone or lead. The EPA has engaged in rulemaking to regulate GHG emissions from existing and new coal fired power plants, and we expect continued legal challenges to this rulemaking and any future rulemaking for other industries. For instance, in August 2015, the EPA issued its final Clean Power Plan rules establishing carbon pollution standards for power plants. The EPA expects each state to develop implementation plans for power plants in its state to meet the individual state targets established in the Clean Power Plan, and has also proposed a federal compliance plan to implement the Clean Power Plan in the event that approvable state plans are not submitted. In February 2016, the U.S. Supreme Court granted a stay of the implementation of the Clean Power Plan before the U.S. Court of Appeals for the District of Columbia ("D.C. Circuit") issued a decision on the rule. By its terms, this stay will remain in effect throughout the pendency of the appeals process including at the D.C. Circuit and the Supreme Court through any certiorari petition that may be granted. Additionally, it is unclear how the Clean Power Plan will be impacted by the actions of the new presidential administration beginning in 2017. Depending on the method of implementation selected by the states, and whether the rule is ultimately upheld, the Clean Power Plan could increase the demand for natural gas-generated electricity.
- Currently, we do not anticipate these new or existing power plan GHG rules to apply directly to our facilities. However, the impact current and future GHG-related legislation and regulations have on us will depend on a number of factors, including whether GHG sources in multiple sectors of the economy are regulated, the overall GHG emissions cap level, the degree to which GHG offsets are allowed, the allocation of emission allowances to specific sources, actions by the states in implementing these requirements and the indirect impact of carbon regulation on coal prices. We may not recover the costs related to compliance with regulatory requirements imposed on us from our customers due to limitations in our agreements. The imposition of a carbon tax or similar regulation could materially and adversely affect our revenues. Collectively, these requirements along with restrictions and requirements regarding the mining of all types of coal may reduce the volumes of coal that we manage and may ultimately adversely impact

our revenues.

- Mine Improvement and New Emergency Response Act of 2006. The Mine Improvement and New Emergency Response Act of 2006 (the “Miner Act”), has increased significantly the enforcement of safety and health standards and imposed safety and health standards on all aspects of mining operations. There also has been a significant increase in the dollar penalties assessed for citations issued.
- Security. CMT is subject to regulation by the United States Coast Guard pursuant to the Maritime Transportation Security Act. We have an internal inspection program designed to monitor and ensure compliance by CMT with these requirements. We believe that we are in material compliance with all applicable laws and regulations regarding the security of the facility.

Reclamation and Remediation

- Surface Mining Control and Reclamation Act of 1977. The SMCRA established comprehensive operational, environmental, reclamation and closure standards for all aspects of U.S. surface mining as well as many aspects of deep mining. Where state regulatory agencies have adopted federal mining programs under SMCRA, the state becomes the regulatory authority, and states that operate federally approved state programs may impose standards that are more stringent than the requirements of SMCRA. Permitting under SMCRA generally has become more difficult in recent years, which adversely affects the cost and availability of coal. The Abandoned Mine Land Fund, which is part of SMCRA, assesses a fee on all coal produced in the U.S. From October 1, 2007 through September 30, 2012, the fee was $0.315 per ton of surface-mined coal and $0.135 per ton of underground mined coal. From October 1, 2012 through September 30, 2021, the fee has been reduced to $0.28 per ton of surface-mined coal and $0.12 per ton of underground mined coal. Our reclamation obligations under applicable environmental laws could be substantial. Under accounting principles generally accepted in the U.S. ("GAAP"), we are required to account for the costs related to the closure of mines and the reclamation of the land upon exhaustion of coal reserves. The fair value of an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The present value of the estimated asset retirement costs is capitalized as part of the carrying amount of the long-lived asset. At December 31, 2016, we had asset retirement obligation of $4.9 million related to estimated mine reclamation costs. The amounts recorded are dependent upon a number of variables, including the estimated future retirement costs, estimated proven reserves, assumptions involving profit margins, inflation rates, and the assumed credit-adjusted interest rates. Our future operating results would be adversely affected if these accruals were determined to be insufficient. These obligations are unfunded. Further, although specific criteria varies from state to state as to what constitutes an “owner” or “controller” relationship, under SMCRA the responsibility for reclamation or remediation, unabated violations, unpaid civil penalties and unpaid reclamation fees of independent contract mine operators can be imputed to other companies which are deemed, according to the regulations, to have “owned” or “controlled” the contract mine operator. Sanctions are quite severe and can include being denied new permits, permit amendments, permit revisions and revocation or suspension of permits issued since the violation or penalty or fee due date.
- Black Lung Benefits Revenue Act of 1977 and Black Lung Benefits Reform Act of 1977, as amended in 1981. Under these laws, each U.S. coal mine operator must pay federal black lung benefits and medical expenses to claimants who are current and former employees and last worked for the operator after July 1, 1973. Coal mine operators also must make payments to a trust fund for the payment of benefits and medical expenses to claimants who last worked in the coal industry prior to July 1, 1973. The trust fund is funded by an excise tax on U.S. coal production of up to $1.10 per ton for deep-mined coal and up to $0.55 per ton for surface-mined coal, neither amount to exceed 4.4 percent of the gross sales price. The Patient Protection and Affordable Care Act (“PPACA”), which was implemented in 2010, amended previous legislation and provides for the automatic extension of awarded lifetime benefits to surviving spouses and changes the legal criteria used to assess and award claims. Our obligation related to black lung benefits at December 31, 2016 was $50.2 million and was estimated based on various assumptions, including actuarial estimates, discount rates, number of active claims, changes in health care costs and the impact of PPACA.

Comprehensive Environmental Response, Compensation, and Liability Act. Under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), also known as Superfund, and similar state laws, responsibility for the entire cost of clean-up of a contaminated site, as well as natural resource damages, can be imposed upon current or former site owners or operators, or upon any party who released one or more designated "hazardous substances" at the site, regardless of the lawfulness of the original activities that led to the contamination. In the course of our operations we may have generated and may generate wastes that fall within CERCLA's definition of hazardous substances. We also may be an owner or operator of facilities at which hazardous substances have been released by previous owners or operators. Under CERCLA, we may be responsible for all or part of the costs of cleaning up facilities at which such substances have been released and for natural resource damages. We also must comply with reporting requirements under the Emergency Planning and Community Right-to-Know Act and the Toxic Substances Control Act.

Environmental Matters and Compliance

Our failure to comply with the aforementioned requirements may result in the assessment of administrative, civil and criminal penalties, the imposition of clean-up and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of limiting production from our operations. Please see Note 15 to our consolidated financial statements for a discussion of the Notices of Violation ("NOVs") issued by the EPA and state regulators for our Haverhill, Granite City, and Indiana Harbor cokemaking facilities.

Many other legal and administrative proceedings are pending or may be brought against us arising out of our current and past operations, including matters related to commercial and tax disputes, product liability, antitrust, employment claims, natural resource damage claims, premises-liability claims, allegations of exposures of third-parties to toxic substances and general environmental claims. Although the ultimate outcome of these proceedings cannot be ascertained at this time, it is reasonably possible that some of them could be resolved unfavorably to us. Management of the Company believes that any liability which may arise from such matters would not be material in relation to the financial position, results of operations or cash flows of the Company at December 31, 2016.

IRS Final Regulations on Qualifying Income

Section 7704 of the code provides that a publicly-traded partnership will be treated as a corporation for federal income tax purposes. However, if 90 percent or more of a partnership's gross income for every taxable year it is publicly-traded consists of "qualifying income," the publicly-traded partnership may continue to be treated as a partnership for federal income tax purposes.

At the time of the Partnership's initial public offering, in January 2013, the Partnership believed, and received a legal opinion to the effect, that income from its cokemaking operations would be treated as generating qualifying income under the Code. The Company and counsel believed at the time that this view was based on the correct interpretation of the Code and the legislative history of the relevant Code section, and since that time continued to believe that income from its cokemaking operations is qualifying income.

In May, 2015, the IRS released new proposed regulations (the "Proposed Regulations") which would have substantially changed the rules relating to qualifying income for publicly-traded partnerships for the processing, refining and transportation of minerals or natural resources, and created ambiguity as to whether cokemaking generates qualifying income. Following the release of the Proposed Regulations, representatives of the Partnership, together with counsel, submitted comments and gave testimony to the IRS, expressing the view that the Proposed Regulations were not consistent with the statute and its legislative history. The Partnership's views were consistent with those of a number of other commentators, including the tax section of the American Bar Association and the Master Limited Partnership Association.

On January 19, 2017, the Treasury Department and the IRS released the Final Regulations on the treatment of income from natural resource activities of publicly traded partnerships as qualifying income for purposes of the Code. The Final Regulations were published in the Federal Register on January 24, 2017, and apply to taxable years beginning after January 19, 2017. Under the Final Regulations, the Partnership's cokemaking operations have been excluded from the definition of activities that generate qualifying income.

The Final Regulations provide that if a partnership's income from non-qualifying operations "was qualifying income under the statute as reasonably interpreted," then that partnership will have a transition period ending on the last day of the partnership's taxable year that included the date that is ten years after the date the final regulations are published in the Federal Register (i.e., December 31, 2027), during which it can treat income from such activities as qualifying income. After conferring with outside counsel, the Partnership and we are of the view that its interpretation was reasonable in concluding that the Partnership's income from cokemaking was qualifying income, and that the Partnership will benefit from the ten-year transition period. Subsequent to the transition period, certain cokemaking entities in the Partnership will become taxable as corporations. The Partnership is evaluating its options for engaging with the appropriate parties to address its concerns with the scope of these final regulations. Also see "Part I. Item 1A. Risk Factors."

Available Information

We make available free of charge on our website, www.suncoke.com, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and any amendments to such reports as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC").

Executive Officers of the Registrant

Our executive officers and their ages as of February 16, 2017, were as follows:

Name	Age	Position
Frederick A. Henderson	58	Chairman, President and Chief Executive Officer
Fay West	47	Senior Vice President and Chief Financial Officer
Katherine T. Gates	40	Senior Vice President, General Counsel and Chief Compliance Officer
P. Michael Hardesty	54	Senior Vice President, Commercial Operations, Business Development, Terminals and International Coke
Allison S. Lausas	37	Vice President and Controller
Gary P. Yeaw	59	Senior Vice President of Human Resources

Frederick A. Henderson. Mr. Henderson was elected as Chairman and Chief Executive Officer of SunCoke Energy, Inc. in December 2010 and became Chairman, President and Chief Executive Officer in September 2015. He also served as a Senior Vice President of Sunoco, Inc. (a transportation fuel provider with interests in logistics) from September 2010 until our initial public offering in July 2011. In July 2012, Mr. Henderson was named Chief Executive Officer and appointed as Chairman of the Board of Directors of SunCoke Energy Partners GP, LLC, the general partner of the Partnership. From February 2010 until September 2010, he was a consultant for General Motors LLC, and from March 2010 until August 2010, he was a consultant for AlixPartners LLC (a business consulting firm). He was President and Chief Executive Officer of General Motors (a global automotive company) from April 2009 until December 2009. He was President and Chief Operating Officer of General Motors from March 2008 until March 2009. He was Vice Chairman and Chief Financial Officer of General Motors from January 2006 until February 2008. He was Chairman of General Motors Europe from June 2004 until December 2005. Mr. Henderson is a director of Marriott International, Inc. (a worldwide lodging and hospitality services company), where he serves as chair of the Audit Committee. He is also a director of Adient PLC (an automotive seating and interiors business) where he serves as chair of the Corporate Governance Committee. Mr. Henderson also is a trustee of the Alfred P. Sloan Foundation and chair of its Audit Committee. Mr. Henderson previously served as a Director of Compuware Corporation (from 2011-2014), a technology performance company; he served as chair of its Audit Committee and as a member of its Nominating/Governance and Advisory Committees.

Fay West. Ms. West was appointed as Senior Vice President and Chief Financial Officer of SunCoke Energy, Inc. in October 2014. Prior to that time, she served as Vice President and Controller of SunCoke Energy, Inc. since February 2011. In addition, Ms. West was named Vice President and Controller and appointed to the Board of Directors of SunCoke Energy Partners GP LLC, in July 2012. Prior to joining SunCoke Energy, Inc., she was Assistant Controller at United Continental Holdings, Inc. (an airline holding company) from April 2010 to January 2011. She was Vice President, Accounting and Financial Reporting for PepsiAmericas, Inc. (a manufacturer and distributor of beverage products) from December 2006 through March 2010 and Director of Financial Reporting from December 2005 to December 2006. Ms. West worked at GATX Corporation from 1998 to 2005 in various accounting roles, including Vice President and Controller of GATX Rail Company from 2001 to 2005 and Assistant Controller of GATX Corporation from 2000 to 2001. Ms. West is a director of Quaker Chemical Corporation (a leading manufacturer and supplier of process fluids and specialty chemicals) where she also serves a member of its Audit Committee.

Katherine T. Gates. Ms. Gates was appointed Senior Vice President, General Counsel and Chief Compliance Officer, effective October 22, 2015. At that time, she also was appointed as a Director of SunCoke Energy Partners GP, LLC. Ms. Gates joined SunCoke in February 2013 as Senior Health, Environment and Safety Counsel. She was promoted to Vice President and Assistant General Counsel in July 2014, where she focused on litigation, regulatory and commercial matters. Ms. Gates began her legal career in private practice as a Partner at Beveridge & Diamond, P.C. She served on the firm's Management Committee, where she addressed budget, compensation, commercial, and other issues. Ms. Gates also co-chaired the civil litigation section of the firm's Litigation Practice Group.

P. Michael Hardesty. Mr. Hardesty was appointed Senior Vice President, Commercial Operations, Business Development, Terminals and International Coke of SunCoke Energy, Inc., effective October 1, 2015. At that time, he also was appointed as a Director of SunCoke Energy Partners GP, LLC. Mr. Hardesty joined SunCoke Energy, Inc. in 2011 as Senior Vice President, Sales and Commercial Operations, and has more than 30 years of experience in the mining industry. Before joining SunCoke, Mr. Hardesty served as Senior Vice President for International Coal Group, Inc. ("ICG"), where he was responsible for leading the sales and marketing functions and was a key member of the executive management team. Prior to ICG, Mr. Hardesty served as Vice President of Commercial Optimization at Arch Coal, where he developed and executed trade strategies, optimized production output and directed coal purchasing activities. He is a past board member and Secretary-Treasurer of the Putnam County Development Authority in West Virginia.

Allison S. Lausas. Ms. Lausas was appointed Vice President and Controller of both SunCoke Energy, Inc. and SunCoke Energy Partners GP LLC, the general partner of SunCoke Energy Partners, L.P., in October 2014. Ms. Lausas joined SunCoke Energy, Inc. in 2011 and most recently held the role of Assistant Controller. Prior to joining SunCoke Energy, Inc., she worked as an auditor at KPMG LLP, an audit, advisory and tax services firm, from 2002 to 2011, where she served both public and private corporations in the consumer and industrial markets.

Gary P. Yeaw. Mr. Yeaw was appointed Senior Vice President, Human Resources of SunCoke Energy, Inc. on November 1, 2015. Prior to that, he was Vice President, Human Resources. Mr. Yeaw leads the human resources function at SunCoke Energy, Inc., and is responsible for key organizational activities. Prior to joining SunCoke Energy, Inc., he was Executive Vice President, Human Resources and Communications for Chemtura Corporation. Mr. Yeaw also served as Vice President, Human Resources for American Standard Companies, as well as Vice President, Human Resources Operational Excellence in charge of global benefit programs, labor relations, HR systems and employee services. Mr. Yeaw holds professional designations as a Senior Human Resources Professional, Certified Compensation Professional and was a charter member of the International Society of Employee Benefits Specialists.

Item 1A. Risk Factors

In addition to the other information included in this Annual Report on Form 10-K, the following risk factors should be considered in evaluating our business and future prospects. These risk factors represent what we believe to be the known material risk factors with respect to us and our business. Our business, operating results, cash flows and financial condition are subject to these risks and uncertainties, any of which could cause actual results to vary materially from recent results or from anticipated future results.

These risks are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, or results of operations.

Risks Inherent in Our Business and Industry

Unfavorable economic conditions in the U.S. and globally, may cause a reduction in the demand for our products and services, which could adversely affect our cash flows, financial position or results of operations.

Sustained volatility and disruption in worldwide capital and credit markets in the U.S. and globally could cause reduced demand for our products. Additionally, unfavorable economic conditions, including the potentially reduced availability of credit, may cause reduced demand for steel products or reduced demand for coal, either of which, in turn, could adversely affect demand for our products and services. Such conditions could have an adverse effect on our cash flows, financial position or results of operations.

Adverse developments at our cokemaking and/or coal logistics operations, including equipment failures or deterioration of assets, may lead to production curtailments, shutdowns or additional expenditures, which could have a material adverse effect on our results of operations.

Our cokemaking and coal logistics operations are subject to significant hazards and risks that include, but are not limited to, equipment malfunction, explosions, fires and the effects of severe weather conditions and extreme temperatures, any of which could result in production and transportation difficulties and disruptions, permit non-compliance, pollution, personal injury or wrongful death claims and other damage to our properties and the property of others.

Adverse developments at our cokemaking facilities could significantly disrupt our coke, steam and/or electricity production and our ability to supply coke, steam, and/or electricity to our customers. Adverse developments at our coal logistics operations could significantly disrupt our ability to provide coal handling, mixing, storage, terminalling, transloading and/or transportation services to our customers. Any sustained disruption at our cokemaking and/or coal logistics operations could have a material adverse effect on our results of operations.

There is a risk of mechanical failure of our equipment both in the normal course of operations and following unforeseen events. Our cokemaking and coal logistics operations depend upon critical pieces of equipment that occasionally may be out of service for scheduled upgrades or maintenance or as a result of unanticipated failures. Our facilities are subject to equipment failures and the risk of catastrophic loss due to unanticipated events such as fires, accidents or violent weather conditions or extreme temperatures. As a result, we may experience interruptions in our processing and production capabilities, which could have a material adverse effect on our results of operations and financial condition. In particular, to the extent a disruption leads to our failure to maintain the temperature inside our coke oven batteries, we would not be able to continue operation of such coke ovens, which could adversely affect our ability to meet our customers' requirements for coke and, in some cases, electricity and/or steam.

Assets and equipment critical to the operations of our cokemaking and coal logistics operations also may deteriorate or become depleted materially sooner than we currently estimate. Such deterioration of assets may result in additional maintenance spending or additional capital expenditures. If these assets do not generate the amount of future cash flows that we expect, and we are not able to procure replacement assets in an economically feasible manner, our future results of operations may be materially and adversely affected.

We are required to perform impairment tests on our assets whenever events or changes in circumstances lead to a reduction of the estimated useful life or estimated future cash flows that would indicate that the carrying amount may not be recoverable or whenever management's plans change with respect to those assets. For example, in 2015 we impaired our equity method investment in VISA SunCoke to zero. If we are required to incur impairment charges in the future, our results of operations in the period taken could be materially and adversely affected.

We are subject to extensive laws and regulations, which may increase our cost of doing business and have an adverse effect on our cash flows, financial position or results of operations.

Our operations are subject to increasingly strict regulation by federal, state and local authorities with respect to: discharges of substances into the air and water; emissions of greenhouse gases, or GHG; compliance with the NAAQS; management and disposal of hazardous substances and wastes; cleanup of contaminated sites; protection of groundwater quality and availability; protection of plants and wildlife; reclamation and restoration of properties after completion of mining or drilling; installation of safety equipment in our facilities; control of surface subsidence from underground mining; and protection of employee health and safety. Complying with these and other regulatory requirements, including the terms of our permits, can be costly and time-consuming, and may delay commencement or hinder continuation of operations. In addition, these requirements are complex, change frequently and have become more stringent over time. Regulatory requirements may change in the future in a manner that could result in substantially increased capital, operating and compliance costs, and could have a material adverse effect on our business.

Failure to comply with applicable regulations or permits may result in the assessment of administrative, civil and criminal penalties, the imposition of cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could cause delays in permitting or development of projects or materially limit or increase the cost of our operations. We may not have been, or may not be, at all times, in complete compliance with all such requirements, and we may incur material costs or liabilities in connection with such requirements, or in connection with remediation at sites we own, or third-party sites where it has been alleged that we have liability, in excess of the amounts we have accrued. For a description of certain environmental laws and matters applicable to us, see “Item 1. Business-Legal and Regulatory Requirements.”

We may be unable to obtain, maintain or renew permits or leases necessary for our operations, which could materially reduce our production, cash flows or profitability.

Our cokemaking and coal logistics operations require us to obtain a number of permits that impose strict regulations on various environmental and operational matters. These, as well as our facilities and operations (including our generation of electricity), require permits issued by various federal, state and local agencies and regulatory bodies. The permitting rules, and the interpretations of these rules, are complex, change frequently, and are often subject to discretionary interpretations by our regulators, all of which may make compliance more difficult or impractical, and may possibly preclude the continuance of ongoing operations or the development of future cokemaking and/or coal logistics facilities. Non-governmental organizations, environmental groups and individuals have certain rights to engage in the permitting process, and may comment upon, or object to, the requested permits. Such persons also have the right to bring citizen’s lawsuits to challenge the issuance of permits, or the validity of environmental impact statements related thereto. If any permits or leases are not issued or renewed in a timely fashion or at all, or if permits issued or renewed are conditioned in a manner that restricts our ability to efficiently and economically conduct our operations, our cash flows or profitability could be materially and adversely affected.

Our businesses are subject to inherent risks, some for which we maintain third party insurance and some for which we self-insure. We may incur losses and be subject to liability claims that could have a material adverse effect on our financial condition, results of operations or cash flows.

We maintain insurance policies that provide limited coverage for some, but not all, potential risks and liabilities associated with our business. We may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. As a result, we may not be able to renew our existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. In addition, certain environmental and pollution risks generally are not fully insurable. Even where insurance coverage applies, insurers may contest their obligations to make payments. Our financial condition, results of operations and cash flows could be materially and adversely affected by losses and liabilities from un-insured or under-insured events, as well as by delays in the payment of insurance proceeds, or the failure by insurers to make payments.

We also may incur costs and liabilities resulting from claims for damages to property or injury to persons arising from our operations. We must compensate employees for work-related injuries. If we do not make adequate provision for our workers' compensation liabilities, or we are pursued for applicable sanctions, costs and liabilities, our operations and our profitability could be adversely affected.

Divestitures and other significant transactions may adversely affect our business. In particular, if we are unable to realize the anticipated benefits from such transactions, or are unable to conclude such transactions upon favorable terms, our financial condition, results of operations or cash flows could be adversely affected.

We regularly review strategic opportunities to further our business objectives, and may eliminate assets that do not meet our return-on-investment criteria. If we are unable to complete such divestitures or other transactions upon favorable terms, or in a timely manner, or if the market conditions assumed in our project economics deteriorate, our financial condition, results of operations or cash flows could be adversely affected.

The anticipated benefits of divestitures and other strategic transactions may not be realized, or may be realized more slowly than we expected. Such transactions also could result in a number of financial consequences having a material effect on our results of operations and our financial position, including reduced cash balances; higher fixed expenses; the incurrence of debt and contingent liabilities (including indemnification obligations); restructuring charges; loss of customers, suppliers, distributors, licensors or employees; legal, accounting and advisory fees; and impairment charges.

We may experience significant risks associated with future acquisitions and/or investments.

The success of our future acquisitions and/or investments will depend substantially on the accuracy of our analysis concerning such businesses and our ability to complete such acquisitions or investments on favorable terms, as well as to finance such acquisitions or investments and to integrate the acquired operations successfully with existing operations. Antitrust and other laws may prevent us from completing acquisitions. If we are unable to integrate new operations successfully, our financial results and business reputation could suffer.

Risks associated with acquisitions include the diversion of management’s attention from other business concerns, the potential loss of key employees and customers of the acquired business, the possible assumption of unknown liabilities, potential disputes with the sellers, and the inherent risks in entering markets or lines of business in which we have limited or no prior experience. Additionally, in the event we form joint ventures or other similar arrangements, we must pay close attention to the organizational formalities and time-consuming procedures for sharing information and making decisions. We may share ownership and management with other parties who may not have the same goals, strategies, priorities, or resources as we do. The benefits from a successful investment in an existing entity or joint venture will be shared among the co-owners, so we will not receive the exclusive benefits from a successful investment. Additionally, if a co-owner changes, our relationship may be materially and adversely affected.

Our operations could be disrupted if our information systems fail, causing increased expenses. Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

Our business is dependent on financial, accounting and other data processing systems and other communications and information systems, including our enterprise resource planning tools. We process a large number of transactions on a daily basis and rely upon the proper functioning of computer systems. If a key system was to fail or experience unscheduled downtime for any reason, our operations and financial results could be affected adversely. Our systems could be damaged or interrupted by a security breach, terrorist attack, fire, flood, power loss, telecommunications failure or similar event. Our disaster recovery plans may not entirely prevent delays or other complications that could arise from an information systems failure. Our business interruption insurance may not compensate us adequately for losses that may occur.

In the ordinary course of our business, we collect and store sensitive data in our data centers, on our networks, and in our cloud vendors. Such data includes: intellectual property; our proprietary business information and that of our customers, suppliers and business partners; and personally identifiable information of our employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations, and damage our reputation, which could adversely affect our business.

Our operating results have been and may continue to be affected by fluctuations in our costs of production, and, if we cannot pass increases in our costs of production to our customers, our financial condition, results of operations and cash flows may be negatively affected.
Our operations require a reliable supply of equipment, replacement parts and metallurgical coal. If the cost to produce coke and provide coal logistic services, including cost of supplies, equipment, metallurgical coal, labor, experience significant price inflation, and we cannot pass such increases in our costs of production to our customers, our profit margins may be reduced and our financial condition, results of operations and cash flows may be adversely affected.
Labor disputes with the unionized portion of our workforce could affect us adversely. Union represented labor creates an increased risk of work stoppages and higher labor costs.
We rely, at one or more of our facilities, on unionized labor, and there is always the possibility that we may be unable to reach agreement on terms and conditions of employment or renewal of a collective bargaining agreement. When collective bargaining agreements expire or terminate, we may not be able to negotiate new agreements on the same or more favorable terms as the current agreements, or at all, and without production interruptions, including labor stoppages. The labor agreement at our Indiana Harbor cokemaking facility expired on September 1, 2015. Operations have continued under the expired contract with the renewal pending resolution of select key economic provisions. We do not anticipate any work stoppages during the continued negotiations. The labor agreement at our Granite City cokemaking facility will expire on August 31, 2017. We will negotiate the renewal of this agreement in 2017 and do not anticipate any work stoppages. In 2016, we reached a new one-year labor agreement at our Vitoria, Brazil facility which will expire on October 31, 2017. We will negotiate the renewal of this agreement in 2017 and do not anticipate any work stoppages. If we are unable to negotiate the renewal of a collective bargaining agreement before its expiration date, our operations and our profitability could be adversely affected. A prolonged labor dispute, which may include a work stoppage, could adversely affect our ability to satisfy our customers' orders and, as a result, adversely affect our operations, or the stability of production and reduce our future revenues, or profitability. It is also possible that, in the future, additional employee groups may choose to be represented by a labor union.
Our ability to operate our company effectively could be impaired if we fail to attract and retain key personnel.
We have implemented recruitment, training and retention efforts to optimally staff our operations. Our ability to operate our business and implement our strategies depends in part on the efforts of our executive officers and other key employees. In addition, our future success will depend on, among other factors, our ability to attract and retain other qualified personnel. The loss of the services of any of our executive officers or other key employees or the inability to attract or retain other qualified personnel in the future could have a material adverse effect on our business or business prospects. With respect to our represented employees, we may be adversely impacted by the loss of employees who retire or obtain other employment during a layoff or a work stoppage.
We currently are, and likely will be, subject to litigation, the disposition of which could have a material adverse effect on our cash flows, financial position or results of operations.
The nature of our operations exposes us to possible litigation claims in the future, including disputes relating to our operations and commercial and contractual arrangements. Although we make every effort to avoid litigation, these matters are not totally within our control. We will contest these matters vigorously and have made insurance claims where appropriate, but because of the uncertain nature of litigation and coverage decisions, we cannot predict the outcome of these matters. Litigation is very costly, and the costs associated with prosecuting and defending litigation matters could have a material adverse effect on our financial condition and profitability. In addition, our profitability or cash flow in a particular period could be affected by an adverse ruling in any litigation currently pending in the courts or by litigation that may be filed against us in the future. We are also subject to significant environmental and other government regulation, which sometimes results in various administrative proceedings. For additional information, see "Item 3. Legal Proceedings."
Our indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under outstanding notes and credit facilities.
Subject to the limits contained in our credit agreements, the indenture that governs our notes and our other debt instruments, we may be able to incur additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our level of debt could

intensify. Specifically, a higher level of debt could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to the notes and our other debt;

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for the payment of dividends, working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under the credit facilities, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a competitive disadvantage to other, less leveraged competitors; and
- increasing our cost of borrowing.

In addition, the indenture that governs the notes and the credit agreement governing our credit facilities contain restrictive covenants that limit our ability to engage in activities (such as incurring additional debt) that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. We have entered into, and may in the future enter into, interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may decide not to maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

The Partnership faces substantial debt maturities which may adversely affect our consolidated financial position.

Over the next five years, we have approximately $858 million of total consolidated debt maturing at SunCoke and the Partnership. See Note 14 to the consolidated financial statements. We may not be able to refinance this debt, or may be forced to do so on terms substantially less favorable than our currently outstanding debt. We may be forced to delay or not make capital expenditures, which may adversely affect our competitive position and financial results.

Rating agencies may downgrade our credit ratings, which would make it more difficult for us to raise capital and would increase our financing costs.

Any downgrades in our credit ratings may make raising capital more difficult, may increase the cost and affect the terms of future borrowings, may affect the terms under which we purchase goods and services and may limit our ability to take advantage of potential business opportunities.

We own a significant equity interest in the Partnership, and our consolidated financial statements include the Partnership’s substantial indebtedness. If effective control of the Partnership’s general partner is transferred to a third party, the Partnership’s indebtedness could become due and payable, which would materially and adversely affect our consolidated financial position.

Due to our significant equity ownership interest in the Partnership, our consolidated financial statements include the Partnership’s indebtedness. If effective control of the Partnership’s general partner is transferred to a third party, resulting in the Partnership’s aggregate indebtedness becoming payable, our consolidated financial position would be materially and adversely affected.

If effective control of the Partnership’s general partner is transferred to a third party, the Partnership, pursuant to the indenture for its outstanding senior secured notes, could be required to repurchase such notes in an amount equal to 101 percent of the aggregate principal amount outstanding, which was $463.0 million at December 31, 2016. Under the Partnership’s revolving credit agreement, the lenders could declare the loans and other amounts (including letter of credit obligations), totaling $172.0 million at December 31, 2016, to be immediately due and payable. In addition, the Partnership has $50.0 million drawn under a term loan facility that contains event of default and remedies provisions

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identical to those of the revolving credit agreement. Thus, the potential acceleration remedies under the Partnership's revolving credit agreement and term loan facility could result in approximately $222.0 million of outstanding borrowings being declared immediately due and payable.

Risks Related to Our Cokemaking Business

We are exposed to the credit risk, and certain other risks, of our major customers and other parties, and any material nonpayment or nonperformance by our major customers, or the failure of our customers to continue to purchase coke from us at similar prices under similar arrangements, may have a material adverse effect on our cash flows, financial position, permit compliance or results of operations.

We are subject to the credit risk of our major customers and other parties. If we fail to adequately assess the creditworthiness of existing or future customers or unanticipated deterioration of their creditworthiness, any resulting increase in nonpayment or nonperformance by them could have a material adverse effect on our cash flows, financial position or results of operations.

We are subject to the risk of loss resulting from nonpayment or nonperformance by our coke customers. We have long-term take-or-pay agreements with our coke customers whose operations are concentrated in the steelmaking industry. These agreements require such customers either to purchase all of our coke production (or a specified maximum tonnage greater than our stated capacity, as applicable), or to pay the contract prices for the coke, they do not accept. Our customers experience significant fluctuations in demand for steel products because of economic conditions, consumer demand, raw material and energy costs and decisions by the U.S. federal and state governments to fund or not fund infrastructure projects, such as highways, bridges, schools, energy plants, railroads and transportation facilities. During periods of weak demand for steel, our customers may experience significant reductions in their operations, or substantial declines in the prices of the steel they sell. For example, in response to worsening market conditions for the steel industry, U.S. Steel and AK Steel have temporarily idled the iron producing portions of their facilities at Granite City and Ashland, respectively. These and other factors such as labor negotiations or bankruptcy filings may lead certain of our customers to seek renegotiation or cancellation of their existing long-term coke purchase commitments to us, which could have a material adverse effect on our cash flows, financial position, permit compliance or results of operations.

The financial performance of our cokemaking business is substantially dependent upon three customers in the steel industry, and any failure by them to perform under their contracts with us could adversely affect our financial condition, results of operations and cash flows.

Substantially all of our domestic coke sales are currently made under long-term contracts with ArcelorMittal, U.S. Steel and AK Steel. We expect these three customers to continue to account for a significant portion of our revenues for the foreseeable future. If any one or more of these customers were to significantly reduce its purchases of coke from us without a make-whole payment, or default on its agreements with us, or fail to renew or terminate its agreements with us, or if we were unable to sell coke to any one or more of these customers on terms as favorable to us as the terms under our current agreements, our cash flows, financial position and results of operations could be materially and adversely affected.

If a substantial portion of our agreements to supply coke, electricity, and/or steam are modified or terminated, our results of operations may be adversely affected if we are not able to replace such agreements, or if we are not able to enter into new agreements at the same level of profitability.

We make substantially all of our coke, electricity and steam sales under long-term agreements. If a substantial portion of these agreements are modified or terminated or if force majeure is exercised, our results of operations may be adversely affected if we are not able to replace such agreements, or if we are not able to enter into new agreements at the same level of profitability. The profitability of our long-term coke, energy and steam sales agreements depends on a variety of factors that vary from agreement to agreement and fluctuate during the agreement term. We may not be able to obtain long-term agreements at favorable prices, compared either to market conditions or to our cost structure. Price changes provided in long-term supply agreements may not reflect actual increases in production costs. As a result, such cost increases may reduce profit margins on our long-term coke and energy sales agreements. In addition, contractual provisions for adjustment or renegotiation of prices and other provisions may increase our exposure to short-term price volatility.

From time to time, we discuss the extension of existing agreements and enter into new long-term agreements for the supply of coke, steam, and energy to our customers, but these negotiations may not be successful and these customers may not continue to purchase coke, steam, or electricity from us under long-term agreements. In addition, declarations of bankruptcy by customers can result in changes in our contracts with less favorable terms. If any one or more of these customers were to become financially distressed and unable to pay us, significantly reduce their purchases of coke, steam, or electricity from us, or if we were unable to sell coke or electricity to them on terms as favorable to us as the terms under our current agreements, our cash flows, financial position, permit compliance, or results of operations may be materially and adversely affected.

Further, because of certain technological design constraints, we do not have the ability to shut down our cokemaking operations if we do not have adequate customer demand. If a customer refuses to take or pay for our coke, we must continue to operate our coke ovens even though we may not be able to sell our coke immediately and may incur significant additional costs for natural gas to maintain the temperature inside our coke oven batteries, which may have a material and adverse effect on our cash flows, financial position or results of operations.

The coke sales agreement and the energy sales agreement with AK Steel at our Haverhill facility are subject to early termination under certain circumstances and any such termination could have a material adverse effect on our results of operations and therefore our ability to distribute cash to unitholders.

The coke sales agreement and the energy sales agreement with AK Steel at our Haverhill II facility, are subject to early termination by AK Steel under certain circumstances and any such termination could have a material adverse effect on our business. The Haverhill coke sales agreement with AK Steel expires on January 1, 2022, with two automatic, successive five-year renewal periods. The Haverhill energy sales agreement with AK Steel runs concurrently with the term of the coke sales agreement, including any renewals, and automatically terminates upon the termination of the related coke sales agreement. The coke sales agreement may be terminated by AK Steel at any time on or after January 1, 2014 upon two years' prior written notice if AK Steel (i) permanently shuts down iron production operations at its steel plant works in Ashland, Kentucky (the Ashland Plant) and (ii) has not acquired or begun construction of a new blast furnace in the U.S. to replace, in whole or in part, the Ashland Plant’s iron production capacity.

If AK Steel were to terminate the Haverhill AK Steel Contracts, we may be unable to enter into similar long-term contracts with replacement customers for all or any portion of the coke previously purchased by AK Steel. Similarly, we may be forced to sell some or all of the previously contracted coke in the spot market, which could be at prices lower than we have currently contracted for and could subject us to significant price volatility. If AK Steel elects to terminate the Haverhill AK Steel Contracts, our cash flows, financial position and results of operations could be materially and adversely affected.

Excess capacity in the global steel industry, including in China, may weaken demand for steel produced by our U.S. steel industry customers, which, in turn, may reduce demand for our coke.

In some countries, such as China, steelmaking capacity exceeds demand for steel products. Rather than reducing employment by matching production capacity to consumption, steel manufacturers in these countries (often with local government assistance or subsidies in various forms) may export steel at prices that are significantly below their home market prices and that may not reflect their costs of production or capital. The availability of this steel at such prices has negatively affected our steelmaking customers, who may have to decrease the prices that they charge for steel, or take other action, as the supply of steel increases. For example, in response to worsening market conditions for the steel industry, U.S. Steel and AK Steel have temporarily idled their facilities at Granite City and Ashland, respectively. Our customers also may reduce their demand for our coke correspondingly, and make it more likely that they may seek to renegotiate their contracts with us or fail to pay for the coke they are required to take under our contracts. The profitability and financial position of our steelmaking customers may be adversely affected, which in turn, could adversely affect the certainty of our long-term relationships with those customers, as well as our ability to sell excess capacity in the spot market, and our own results of operations.

Increased exports of coke from producing countries may weaken our customers’ demand for coke capacity.

In recent years, significantly increased availability and supply of Chinese coke has exerted downward pressure on the pricing of coke sold by VISA SunCoke, our Indian joint venture. Future increases in exports of coke from China and/or other producing countries may reduce our customers’ demand for coke capacity, which could depress coke prices and limit our ability to enter into new, or renew existing, commercial arrangements with our customers, as well as our ability to sell excess capacity in the spot market, and could materially and adversely affect our future revenues and profitability.

Our cokemaking business is subject to operating risks, some of which are beyond our control, that could result in a material increase in our operating expenses.

Factors beyond our control could disrupt our cokemaking operations, adversely affect our ability to service the needs of our customers, and increase our operating costs, all of which could have a material adverse effect on our results of operations. Such factors could include:

- earthquakes, subsidence and unstable ground or other conditions that may cause damage to infrastructure or personnel;

- fire, explosion, or other major incident causing injury to personnel and/or equipment, resulting in all or part of the cokemaking operations at one of our facilities to cease, or be severely curtailed for a period of time;
- processing and plant equipment failures, operating hazards and unexpected maintenance problems affecting our cokemaking operations or our customers; and
- adverse weather and natural disasters, such as severe winds, heavy rains, snow, flooding, extremes of temperature, and other natural events affecting cokemaking operations, transportation, or our customers.

If any of these conditions or events occur, our cokemaking operations may be disrupted, operating costs could increase significantly, and we could incur substantial losses in this business segment. Disruptions in our cokemaking operations could materially and adversely affect our financial condition, or results of operations.

We are exposed to specific risks inherent in doing business in countries other than the U.S., which could adversely affect our results of operations and profitability.

Our foreign operations (e.g. in Brazil and India) expose us to several risks that are beyond our control, including, among other things, political and economic instability within the host country; foreign government regulations that favor or require the awarding of contracts to local competitors; difficulty recruiting and retaining management of our overseas operations; difficulties in collecting accounts receivable and longer collection periods; changing taxation policies; fluctuations in currency exchange rates; revaluations, devaluations and restrictions on repatriation of currency; and import/export quotas and restrictions or other trade barriers.

Income from operation of the Vitória, Brazil cokemaking facility may be affected by global and regional economic and political factors and the policies and actions of the Brazilian government.

The Vitória cokemaking facility is owned ArcelorMittal Brasil, S.A. We earn income from the Vitória, Brazil operations through licensing and operating fees earned at the Brazilian cokemaking facility payable to us under long-term agreements with ArcelorMittal Brasil, S.A. These revenues depend on continuing operations and, in some cases, certain minimum production levels being achieved at the Vitória cokemaking facility. In the past, the Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has changed in the past, and may change monetary, taxation, credit, tariff and other policies to influence Brazil's economy in the future. If the operations at Vitória cokemaking facility are interrupted or if certain minimum production levels are not achieved, we will not be able to earn the same licensing and operating fees as we are currently earning, which could have an adverse effect on our financial position, results of operations and cash flows.

We face increasing competition both from alternative steelmaking and cokemaking technologies that have the potential to reduce or completely eliminate the use of coke, which may reduce the demand for the coke we produce and which could have an adverse effect on our results of operations.

Historically, coke has been used as a main input in the production of steel in blast furnaces. However, some blast furnace operators have reduced the amount of coke per ton of hot metal through alternative injectants, such as natural gas and pulverized coal, and the use of these coke substitutes could increase in the future, particularly in light of current low natural gas prices. Many steelmakers also are exploring alternatives to blast furnace technology that require less or no use of coke. For example, electric arc furnace technology is a commercially proven process widely used in the U.S. As these alternative processes for production of steel become more widespread, the demand for coke, including the coke we produce, may be significantly reduced, and this reduction could have a material and adverse effect on our financial position, results of operations and cash flows.

We also face competition from alternative cokemaking technologies, including both by-product and heat recovery technologies. As these technologies improve and as new technologies are developed, competition in the cokemaking industry may intensify.

Certain provisions in our long-term coke agreements may result in economic penalties to us, or may result in termination of our coke sales agreements for failure to meet minimum volume requirements or other required specifications, and certain provisions in these agreements and our energy sales agreements may permit our customers to suspend performance.

Our agreements for the supply of coke, energy and/or steam, contain provisions requiring us to supply minimum volumes of our products to our customers. To the extent we do not meet these minimum volumes, we are generally required under the terms of our coke sales agreements to procure replacement supply to our customers at the applicable contract price or potentially be subject to cover damages for any shortfall. If future shortfalls occur, we will work with our customer to identify possible other supply sources while we implement operating improvements at the facility, but we may not be successful in identifying alternative supplies and may be subject to paying the contract price for any shortfall or to cover damages, either of which could adversely affect our future revenues and profitability. Our coke sales agreements also contain provisions requiring us to deliver coke that meets certain quality thresholds. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or termination of our agreements.

Our coke and energy sales agreements contain force majeure provisions allowing temporary suspension of performance by our customers for the duration of specified events beyond the control of our customers. Declaration of force majeure, coupled with a lengthy suspension of performance under one or more coke or energy sales agreements, may seriously and adversely affect our cash flows, financial position and results of operations.

To the extent we do not meet coal-to-coke yield standards in our coke sales agreements, we are responsible for the cost of the excess coal used in the cokemaking process, which could adversely impact our results of operations and profitability.

Our ability to pass through our coal costs to our customers under our coke sales agreements is generally subject to our ability to meet some form of coal-to-coke yield standard. To the extent that we do not meet the yield standard in the contract, we are responsible for the cost of the excess coal used in the cokemaking process. We may not be able to meet the yield standards at all times, and as a result we may suffer lower margins on our coke sales and our results of operations and profitability could be adversely affected.

Failure to maintain effective quality control systems at our cokemaking facilities could have a material adverse effect on our results of operations.

The quality of our coke is critical to the success of our business. For instance, our coke sales agreements contain provisions requiring us to deliver coke that meets certain quality thresholds. If our coke fails to meet such specifications, we could be subject to significant contractual damages or contract terminations, and our sales could be negatively affected. The quality of our coke depends significantly on the effectiveness of our quality control systems, which, in turn, depends on a number of factors, including the design of our quality control systems, our quality-training program and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our results of operations.

If we are unable to realize the anticipated benefits from planned maintenance activities and additional measures to control costs at our Indiana Harbor cokemaking operations, our future financial performance, results of operations and cash flows could be materially and adversely affected.

During the third quarter of 2015, we implemented a more holistic approach for stabilizing our Indiana Harbor cokemaking operations to address deteriorating coke oven conditions and to improve plant costs and capital performance, including rebuilding certain ovens. Previous coke oven and plant refurbishment efforts have not delivered expected results.

Despite the recently implemented comprehensive plan of refurbishment to restore the integrity of coke oven structures as well as the more holistic focus on operating the plant in an optimal manner, unexpected costs and challenges may arise and there is a risk of continuing mechanical failures and deterioration of assets leading to production curtailments, shutdowns or additional expenditures at our Indiana Harbor operations, any or all of which could significantly disrupt our coke production and our ability to supply coke to our customer.

If the implementation of these systematic planned maintenance activities to improve operating performance at Indiana Harbor (and related additional measures to control and benchmark costs) do not produce the expected benefits, our future financial performance, results of operations and cash flows could be materially and adversely affected.

Disruptions to our supply of coal and coal mixing services may reduce the amount of coke we produce and deliver, and if we are not able to cover the shortfall in coal supply or obtain replacement mixing services from other providers, our results of operations and profitability could be adversely affected.

All of the metallurgical coal used to produce coke at our cokemaking facilities, is purchased from third-parties under one-year contracts, except for the Jewell facility, which purchases substantial portion of its metallurgical coal under a five-year contract with prices reset annually. We cannot assure that there will continue to be an ample supply of metallurgical coal available or that we will be able to supply these facilities without any significant disruption in coke production, as economic, environmental, and other conditions outside of our control may reduce our ability to source sufficient amounts of coal for our forecasted operational needs. The failure of our coal suppliers to meet their supply commitments could materially and adversely impact our results of operations if we are not able to make up the shortfalls resulting from such supply failures through purchases of coal from other sources.

At our Granite City and Haverhill cokemaking facilities, we rely on third-parties to mix coals that we have purchased into coal mixes that we use to produce coke. We have entered into long-term agreements with coal mixing service providers that are coterminous with our coke sales agreements. However, there are limited alternative providers of coal mixing services and any disruptions from our current service providers could materially and adversely impact our results of operations. In addition, if our rail transportation agreements are terminated, we may have to pay higher rates to access rail lines or make alternative transportation arrangements.

Limitations on the availability and reliability of transportation, and increases in transportation costs, particularly rail systems, could materially and adversely affect our ability to obtain a supply of coal and deliver coke to our customers.

Our ability to obtain coal depends primarily on third-party rail systems and to a lesser extent river barges. If we are unable to obtain rail or other transportation services, or are unable to do so on a cost-effective basis, our results of operations could be adversely affected. Alternative transportation and delivery systems are generally inadequate and not suitable to handle the quantity of our shipments or to ensure timely delivery. The loss of access to rail capacity could create temporary disruption until the access is restored, significantly impairing our ability to receive coal and resulting in materially decreased revenues. Our ability to open new cokemaking facilities may also be affected by the availability and cost of rail or other transportation systems available for servicing these facilities.

Our coke production obligations at our Jewell cokemaking facility and one half of our Haverhill cokemaking facility require us to deliver coke to certain customers via railcar. We have entered into long-term rail transportation agreements to meet these obligations. Disruption of these transportation services because of weather-related problems, mechanical difficulties, train derailments, infrastructure damage, strikes, lock-outs, lack of fuel or maintenance items, fuel costs, transportation delays, accidents, terrorism, domestic catastrophe or other events could temporarily, or over the long-term, impair our ability to produce coke, and therefore, could materially and adversely affect our business and results of operations.

If we are unable to effectively protect our intellectual property, third parties may use our technology, which would impair our ability to compete in our markets.

Our future success will depend in part on our ability to obtain and maintain meaningful patent protection for certain of our technologies and products throughout the world. The degree of future protection for our proprietary rights is uncertain. We rely on patents to protect a significant part our intellectual property portfolio and to enhance our competitive position. However, our presently pending or future patent applications may not issue as patents, and any patent previously issued to us or our subsidiaries may be challenged, invalidated, held unenforceable or circumvented. Furthermore, the claims in patents that have been issued to us or our subsidiaries or that may be issued to us in the future may not be sufficiently broad to prevent third parties from using cokemaking technologies and heat recovery processes similar to ours. In addition, the laws of various foreign countries in which we plan to compete may not protect our intellectual property to the same extent as do the laws of the United States. If we fail to obtain adequate patent protection for our proprietary technology, our ability to be commercially competitive may be materially impaired.

Risks Related to Our Coal Logistics Business

The financial performance of our coal logistics business is substantially dependent upon a limited number of customers, and the loss of these customers, or any failure by them to perform under their contracts with us, could adversely affect the results of operations and cash flows of our coal logistics business.

The financial performance of our coal logistics business is substantially dependent upon a limited number of customers. The loss of any of these customers (or financial difficulties at any of these customers, which result in nonpayment or nonperformance) could have a significant and adverse effect on our business, results of operations and financial condition, and/or our ability to make cash distributions at currently anticipated levels. For example, a significant portion of our revenues and cash flows from CMT are derived from long-term take-or-pay contracts with Foresight Energy LP and Murray American Coal. These agreements require such customers either to purchase all of our contracted coal handling services or to pay the contract prices for the coal handling services they do not accept. We expect these two customers to continue to account for a significant portion of the revenues of our coal logistics business for the foreseeable future. If either or both of these customers were to significantly reduce its purchases of coal terminalling, mixing or transportation services from us, or to default on their agreements with us, or fail to renew or terminate their agreements with us, or if we were unable to sell such coal logistics services to these customers on terms as favorable to us as the terms under our current agreements, the cash flows and results of our coal logistics operations could be materially and adversely affected. We also are exposed to the credit risk of these customers, and any significant unanticipated deterioration of their creditworthiness and resulting increase in nonpayment or nonperformance by them could have a material adverse effect on the cash flows and/or results of our coal logistics operations.

The growth and success of our coal logistics business depends upon our ability to find and contract for adequate throughput volumes, and an extended decline in demand for coal could affect the customers for our coal logistics business adversely. As a consequence, the operating results and cash flows of our coal logistics business could be materially and adversely affected.

The financial results of our Coal Logistics business segment are significantly affected by the demand for both thermal coal and metallurgical coal. An extended decline in our customers’ demand for either thermal or metallurgical coals could result in a reduced need for the coal mixing, terminalling and transloading services we offer, thus reducing throughput and utilization of our coal logistics assets. Demand for such coals may fluctuate due to factors beyond our control:

- The demand for thermal coal can be impacted by changes in the energy consumption pattern of industrial consumers, electricity generators and residential users, as well as weather conditions and extreme temperatures. The amount of thermal coal consumed for electric power generation is affected primarily by the overall demand for electricity, the availability, quality and price of competing fuels for power generation, and governmental regulation. For example, over the past few years, production of natural gas in the U.S. has increased dramatically, which has resulted in lower natural-gas prices. As a result of sustained low natural gas prices, coal-fuel generation plants have been displaced by natural-gas fueled generation plants. In addition, state and federal mandates for increased use of electricity from renewable energy sources, or the retrofitting of existing coal-fired generators with pollution control systems, also could adversely impact the demand for thermal coal. Finally, unusually warm winter weather may reduce the commercial and residential needs for heat and electricity which, in turn, may reduce the demand for thermal coal; and
- The demand for metallurgical coal for use in the steel industry may be impacted adversely by economic downturns resulting in decreased demand for steel and an overall decline in steel production. A decline in blast furnace production of steel may reduce the demand for furnace coke, an intermediate product made from metallurgical coal. Decreased demand for metallurgical coal also may result from increased steel industry utilization of processes that do not use, or reduce the need for, furnace coke, such as electric arc furnaces, or blast furnace injection of pulverized coal or natural gas.

The Partnership's CMT is impacted by seaborne export market dynamics. Fluctuations in the benchmark price for coal delivery into northwest Europe, as referenced in the API2 index price, influence our customers' decisions to place tons into the export market and thus impact transloading volumes through our terminal facility.

Additionally, fluctuations in the market price of coal can greatly affect production rates and investments by third-parties in the development of new and existing coal reserves. Mining activity may decrease as spot coal prices decrease. We have no control over the level of mining activity by coal producers, which may be affected by prevailing and projected coal prices, demand for hydrocarbons, the level of coal reserves, geological considerations, governmental regulation and the availability and cost of capital. A material decrease in coal mining production in the areas of operation for our coal logistics business, whether as a result of depressed commodity prices or otherwise, could result in a decline in the volume of coal processed through our coal logistics facilities, which would reduce our revenues and operating income.

Decreased demand for thermal or metallurgical coals, and extended or substantial price declines for coal could adversely affect our operating results for future periods and our ability to generate cash flows necessary to improve productivity and expand operations. The cash flows associated with our coal logistics business may decline unless we are able to secure new volumes of coal by attracting additional customers to these operations. Future growth and profitability of our coal logistics business segment will depend, in part, upon whether we can contract for additional coal volumes at a rate greater than that of any decline in volumes from existing customers. Accordingly, decreased demand for coal, or a decrease in the market price of coal, could have a material adverse effect on the results of operations or financial condition of our coal logistics business.

Our failure to obtain or renew surety bonds on acceptable terms could materially and adversely affect our ability to secure our reclamation obligations and, therefore, our ability to operate our coal logistics business.
Federal and state laws require us to obtain surety bonds to secure performance or payment of certain long-term obligations, such as reclamation costs, federal and state workers' compensation costs and other obligations. Surety bond issuers and holders may not continue to renew the bonds or may demand higher fees, additional collateral, including letters of credit,

or other terms less favorable to us upon renewals. We are also subject to increases in the amount of surety bonds required by the Surface Mining Control and Reclamation Act and other federal and state laws as these laws, or interpretations of these laws, change. Because we are required by state and federal law to have these bonds in place before activities at our coal logistics operations can commence or continue, our failure to maintain (or inability to acquire) these bonds would have a material and adverse impact on us. That failure could result from a variety of factors, including: lack of availability, higher expense or unfavorable market terms of new bonds; restrictions on availability of collateral for current and future third-party surety bond issuers under the terms of future indebtedness; our inability to meet certain financial tests with respect to a portion of the reclamation bonds; and the exercise by third-party surety bond issuers of their right to refuse to renew, or to issue, new bonds.

Our coal logistics business is subject to operating risks, some of which are beyond our control, which could result in a material increase in our operating expenses.

Factors beyond our control could disrupt our coal logistics operations, adversely affect our ability to service the needs of our customers, and increase our operating costs, all of which could have a material adverse effect on our results of operations. Such factors could include:

- geological, hydrologic, or other conditions that may cause damage to infrastructure or personnel;
- a major incident that causes all or part of the coal logistics operations at a site to cease for a period of time;
- processing and plant equipment failures and unexpected maintenance problems;
- adverse weather and natural disasters, such as heavy rains or snow, flooding, extreme temperatures and other natural events affecting coal logistics operations, transportation, or customers;
- possible legal challenges to the renewal of key permits, which may lead to their renewal on terms that restrict our terminalling operations, or impose additional costs on our operations.

If any of these conditions or events occur, our coal logistics operations may be disrupted, operating costs could increase significantly, and we could incur substantial losses in this business segment. Disruptions in our coal logistics operations could seriously and adversely affect our financial condition, or results of operations.

Deterioration in the global economic conditions in any of the industries in which our customers operate, or sustained uncertainty in financial markets, may have adverse impacts on our business and financial condition that we currently cannot predict.

Economic conditions in a number of industries in which our customers operate, such as electric power generation and steel making, have substantially deteriorated in recent years and reduced the demand for coal. Factors that could materially impact our business include:

- demand for electricity in the U.S. is impacted by industrial production, which if weakened would negatively impact the revenues, margins and profitability of our coal logistics business;
- demand for metallurgical coal depends on steel demand in the U.S. and globally, which if weakened would negatively impact the revenues, margins and profitability of our coal logistics business;
- the tightening of credit or lack of credit availability to our customers could adversely affect our ability to collect our trade receivables; and
- our ability to access the capital markets may be restricted at a time when we would like, or need, to raise capital for our business including for potential acquisitions, or other growth opportunities.

The geographic location of the Convent Marine Terminal could expose the Partnership to potential significant liabilities, including operational hazards and unforeseen business interruptions, that could substantially and adversely affect the Partnership’s future financial performance.

The Partnership’s Convent Marine Terminal is located in the Gulf Coast region, and its operations are subject to operational hazards and unforeseen interruptions, including interruptions from hurricanes or floods, which have historically impacted the region with some regularity. If any of these events were to occur, the Partnership could incur substantial losses because of personal injury or loss of life, severe damage to and destruction of property and equipment, and pollution or other environmental damage resulting in curtailment or suspension of our related operations.

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Risks Related to Our Legacy Coal Mining Business

Our former coal mining operations were subject to governmental regulations pertaining to employee health and safety and mandated benefits for retired coal miners. Following the divestiture of our coal mining operations, compliance with such regulations has continued to impose significant costs on our business.

Our former coal mining operations were subject to strict regulation by federal, state and local authorities with respect to matters such as employee health and safety and mandated benefits for retired coal miners. Even after divestiture of our coal mining business, compliance with these requirements has continued to impose significant costs on us. As a former coal mine operator, federal law required us to secure payment of federal black lung benefits to claimants who were employees, and to contribute to a trust fund for payment of benefits and medical expenses to claimants who last worked in the coal industry before January 1, 1970. At December 31, 2016, our liabilities for coal workers' black lung benefits totaled approximately $50.2 million. Our business could be materially and adversely harmed if these liabilities, including the number and award size of claims, were increased. See "Item 1. Business-Legal and Regulatory Requirements-Other Regulatory Requirements."

Risks Related to Ownership of Our Common Stock

Your percentage ownership in us may be diluted by future issuances of capital stock or securities or instruments that are convertible into our capital stock, which could reduce your influence over matters on which stockholders vote.

Our Board of Directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, shares that may be issued to satisfy our obligations under our incentive plans, shares of our authorized but unissued preferred stock and securities and instruments that are convertible into our common stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, likely would result in your interest in us being subject to the prior rights of holders of that preferred stock.

Our ability to pay dividends on our common stock may be limited by restrictive covenants in our debt agreements and by other factors.

Our Board of Directors has suspended the Company's dividend. Any declaration and payment of future dividends to holders of our common stock will be limited by restrictive covenants contained in our debt agreements, and will be at the sole discretion of our Board of Directors and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board of Directors deems relevant.

Further, we may not have sufficient surplus under Delaware law to be able to pay any dividends in the future. The absence of sufficient surplus may result from extraordinary cash expenses, actual expenses exceeding contemplated costs, funding of capital expenditures or increases in reserves.

Provisions of our amended and restated articles of incorporation, our amended and restated by-laws and the Delaware General Corporation Law (the "DGCL") could discourage potential acquisition proposals and could deter or prevent a change in control.

Our amended and restated articles of incorporation and amended and restated by-laws contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids and to encourage prospective acquirers to negotiate with our Board of Directors rather than to attempt a hostile takeover. These provisions include:

- a Board of Directors that is divided into three classes with staggered terms;
- action by written consent of stockholders may only be taken unanimously by holders of all our shares of common stock;
- rules regarding how our stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of our Board of Directors to issue preferred stock without stockholder approval;
- limitations on the right of stockholders to remove directors; and
- limitations on our ability to be acquired.

The DGCL also imposes some restrictions on mergers and other business combinations between us and any holder of 15 percent or more of our outstanding common stock.

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We believe that these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our Board of Directors determines is in our best interests and that of our stockholders. Any or all of the foregoing provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock.

A person or group could establish a substantial position in SunCoke Energy, Inc. stock.

We do not have a shareholder rights plan which may make it easier for a person or group to acquire a substantial position in SunCoke Energy, Inc. stock. Such person or group may have interests adverse to the interests of our other stockholders.

Risks Related to Our Master Limited Partnership

There can be no assurance that our proposed acquisition of all the outstanding common units of the Partnership that we do not already own will be agreed upon, approved and ultimately consummated, and the terms of any such transaction may differ materially from those originally proposed.

On October 31, 2016, we announced that we had submitted a proposal to the Board of Directors of the general partner of the Partnership regarding the Simplification Transaction, pursuant to which we proposed to acquire all of the Partnership’s common units that we do not already own. Under the terms of the proposal, Partnership common unitholders would receive approximately 1.65 new shares of our common stock for each Partnership common unit. The proposal was made to the Board of Directors of the Partnership’s general partner, which is an indirect wholly owned subsidiary of ours, and the Board of Directors of the Partnership’s general partner has delegated the authority to review and evaluate the proposal to its Conflicts Committee. The Conflicts Committee, which is composed of only the independent directors of the Board of Directors of the Partnership’s general partner, is considering the proposal pursuant to applicable procedures established in the Partnership’s partnership agreement and the Conflicts Committee’s charter. The Simplification Transaction is subject to the negotiation and execution of a mutually acceptable agreement and plan of merger, which would provide the definitive terms of the transaction. The closing of the Simplification Transaction also is conditioned upon customary regulatory approvals. If an agreement is reached and definitive terms ultimately are approved by our Board of Directors and that of the Partnership’s general partner, the transaction also will require approval by a majority of votes cast by our shareholders at a meeting, and approval by a majority of the Partnership’s outstanding common units, including the common units held by our affiliates. Through our affiliates, we own approximately 53.9 percent of the Partnership’s outstanding common units, which we intend to vote in favor of the Simplification Transaction.

We cannot predict whether the terms of the Simplification Transaction will be agreed upon by our Board of Directors and the Conflicts Committee or whether any such transaction would be approved by our shareholders. We also cannot predict the timing, final structure and other terms of any potential transaction, and the terms of any such transaction may differ materially from those that we originally proposed. Any decrease in the market prices of our common stock would result in a corresponding proportional decrease in the value of the common stock that the Partnership’s unitholders would receive in the event the Simplification Transaction were consummated on the terms proposed. In addition, any changes in the market prices of our common stock or the Partnership’s common units could affect whether our Board of Directors, the Conflicts Committee, and our shareholders ultimately approve the proposed transaction, or if such approval is granted, the terms on which the proposed transaction is approved.

If the Simplification Transaction does not occur, then our strategic options may be limited and, as a result, our business prospects may be negatively affected. If a transaction is not agreed upon, approved and consummated for any reason, we may be subject to a number of other risks, including the following:

- the current market price of our common stock and of the common units of the Partnership may be adversely affected and a failure to agree upon, approve and consummate a transaction could result in negative publicity or a negative impression of us or of the Partnership in the investment community, and in turn cause a decline in the market price of our shares and the Partnership’s common units.
- our shareholders may not realize the potential benefits from the Simplification Transaction.

There may be substantial disruption to our business and distraction of our management and employees as a result of the Simplification Transaction, and the uncertainty associated with the proposed transaction may otherwise adversely impact our operations and relationships with key stakeholders.

There may be substantial disruption to our business and distraction of our management and employees from day-to-day operations because matters related to the Simplification Transaction may require substantial commitments of time and resources, which could otherwise have been devoted to other opportunities that could have been beneficial to us.

In addition, the uncertainty surrounding whether or when the Simplification Transaction will occur and other aspects of such a transaction, may adversely affect our ability to attract and retain qualified personnel. The uncertainty relating to the possibility of the Simplification Transaction may increase the risk that we could experience higher than normal rates of attrition or that we experience increased difficulty in attracting qualified personnel or incur higher expenses to do so. High levels of attrition among management and/or other employees or difficulties or increased expense incurred to replace any personnel who leave, could materially adversely affect our business or results of operations.

We own a significant equity interest in the Partnership.

We own the general partner of the Partnership, which holds a 2 percent ownership interest and IDRs, and we currently own a 53.9 percent interest, in the Partnership. The Partnership holds a 98 percent interest in each of three entities that own our Haverhill, Ohio, Middletown, Ohio, and Granite City, Illinois cokemaking facilities and related assets. The Partnership also owns coal terminals and related assets that provide coal handling and mixing services in Louisiana and West Virginia. All of the Partnership’s coke sales, and certain of its coal logistics services, are made pursuant to long-term, take-or-pay agreements, and our financial statements include the consolidated results of the Partnership. The Partnership is subject to operating and regulatory risks which are substantially similar to our own. The occurrence of any of these risks could directly or indirectly affect the Partnership’s, as well as our, financial condition, results of operations and cash flows as the Partnership is a consolidated subsidiary. For additional information about the Partnership, see “Cokemaking Operations” and “Formation of a Master Limited Partnership” in Business and Management’s Discussion and Analysis of Financial Condition and Operating Results (Items 1 and 7), respectively.

We derive a portion of our cash flows from the quarterly cash distributions we receive due to our equity ownership interest in the Partnership. If the Partnership is unable to generate sufficient cash flow, its ability to pay quarterly distributions to unitholders (including us) at current levels, or to increase its quarterly distributions in the future, could adversely impact our cash position.

The Partnership’s ability to pay quarterly distributions depends primarily on cash flow. The Partnership’s ability to generate sufficient cash from operations is largely dependent upon its ability to successfully manage its business which may be affected by economic, financial, competitive, and regulatory factors beyond the Partnership’s control. To the extent the Partnership does not have adequate cash reserves, its ability to pay quarterly distributions to its common unitholders (including us) at current levels, or to increase its quarterly distributions in the future, could be adversely affected. Due to our equity ownership interest in the Partnership, we derive a portion of our cash flows from the quarterly cash distributions we receive. If we are unable to obtain sufficient funds from the Partnership at current or increased levels, our cash position could be adversely affected.

We are party to an omnibus agreement with the Partnership that exposes us to various risks and uncertainties.

In connection with the initial public offering of the Partnership and the related contribution to the Partnership of an interest in each of our Haverhill, Ohio and Middletown, Ohio cokemaking facilities, we entered into an omnibus agreement with the Partnership. This omnibus agreement was later amended in connection with the contribution to the Partnership of an interest in our Granite City, Illinois cokemaking assets. Pursuant to this omnibus agreement, we have agreed to grant the Partnership preferential rights to pursue certain growth opportunities we identify in the U.S. and Canada and a right of first offer to acquire certain of our cokemaking assets located in the U.S. and Canada for so long as we control the Partnership’s general partner. In addition, pursuant to this agreement, we have agreed, for a period of five years from the closing of the initial public offering, to make the Partnership whole, in certain circumstances, to the extent of a customer’s failure to satisfy its obligations or to the extent a customer’s obligations are reduced. Additionally, pursuant to this agreement, we have agreed to indemnify the Partnership for certain environmental remediation projects costs arising prior to the contribution of the interests in the Haverhill, Ohio, Middletown, Ohio and Granite City, Illinois cokemaking facilities. The omnibus agreement further provides that we will fully indemnify the Partnership with respect to certain tax liabilities arising prior to, or in connection with, the contribution of the interests in the Haverhill, Ohio, Middletown, Ohio and Granite City, Illinois cokemaking facilities, and that we will cure or fully indemnify the Partnership for losses resulting from certain title defects at the properties owned by the Partnership or its subsidiaries. Our obligations and the extent of our exposures that may arise under the omnibus agreement are subject to various contingencies and cannot be estimated with certainty at this time.

The value of our investment in the Partnership depends on the Partnership's status as a partnership for federal income tax purposes, as well as the Partnership not being subject to a material amount of entity-level taxation by individual states. The Internal Revenue Service ("IRS") has issued final regulations which would result in the Partnership being treated as a corporation for federal income tax purposes and subject to entity-level taxation beginning January 1, 2028. In addition, the IRS may challenge the Partnership's status as a partnership for federal income tax purposes from the time of the Partnership's initial public offering. If the IRS were to treat the Partnership as a corporation for federal income tax purposes or the Partnership were to become subject to material additional amounts of entity-level taxation for state tax purposes, then the value of our investment in the Partnership could be substantially reduced.

The anticipated after-tax economic benefit of our investment in the Partnership depends largely on the Partnership being treated as a partnership for federal income tax purposes. Despite the fact that the Partnership is organized as a limited partnership under Delaware law, the Partnership would be treated as a corporation for federal income tax purposes unless more than 90 percent of its income is from certain specified sources (the "Qualifying Income Exception") under Section 7704 of the Internal Revenue Code of 1986, as amended (the "Code").

On January 19, 2017, the IRS and the US Department of Treasury issued qualifying income regulations (the "Final Regulations") regarding the Qualifying Income Exception. The Final Regulations were published in the Federal Register on January 24, 2017, and apply to taxable years beginning on or after January 19, 2017. Under the Final Regulations, the Partnership's cokemaking operations have been excluded from the definition of qualifying income activities, subject to a ten-year transition period. As a result, the following consequences might ensue:

- If the Partnership's income from cokemaking operations "was qualified income under the statute as reasonably interpreted prior to May 6, 2015," then the Partnership will have a transition period ending on December 31, 2027, during which it can treat income from its existing cokemaking activities as qualifying income. The Partnership's transitional status during this period is likely to impair the growth prospects of the Partnership, and we do not expect that the Partnership would acquire additional cokemaking operations from third parties or from us without receipt of an IRS private letter ruling confirming the availability of the transition period as applied to the income from such an acquisition.
- The IRS might challenge treatment by the Partnership of income from its cokemaking operations as qualifying income by asserting that such treatment did not rely upon a reasonable interpretation of the statute prior to May 6, 2015. If so, nothing would preclude the IRS from challenging the Partnership's status as a partnership for federal income tax purposes from the time of the Partnership's initial public offering. If this challenge were to occur and prevail, (i) the Partnership would be taxed retroactively as if it were a corporation at federal and state tax rates, likely resulting in a material amount of taxable income and taxes in certain open years, (ii) historical and future distributions would generally be taxed again as corporate distributions and (iii) no income, gains, losses, deductions or credits recognized by the Partnership would flow to unitholders of the Partnership. This would result in a material reduction in the Partnership's cash flow and after-tax return to the Partnership's unitholders and the recording of an income tax provision and a reduction in net income.

If, notwithstanding our confidence regarding the Partnership's eligibility to use the transition period based on the Partnership's belief and a legal opinion from outside counsel, the IRS were to challenge the Partnership's eligibility to qualify for the transition period or the Partnership's position that it has satisfied the Qualifying Income Exception from the time of its IPO, the Partnership would vigorously disagree with such a challenge, although we can provide no assurance of the Partnership's likelihood of, or costs associated with, prevailing. For more information, see "Management's Discussion and Analysis-Final Regulations".

A successful IRS contest of the federal income tax positions the Partnership takes may impact adversely the market for its common units, and the costs of any IRS contest could reduce the Partnership's cash available for distribution to unitholders, including us. If the Partnership were treated as a corporation for federal income tax purposes, it would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35 percent, and would likely pay state income tax at varying rates. Because tax would be imposed upon the Partnership as a corporation, its after tax earnings and therefore its ability to distribute cash to us would be substantially reduced. Therefore, treatment of the Partnership as a corporation would result in a material reduction in the Partnership's anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our investment in the Partnership.

The tax treatment of publicly traded partnerships or an investment in the Partnership’s common units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

The present federal income tax treatment of publicly traded partnerships, including the Partnership, or an investment in its common units, may be modified by administrative, legislative or judicial interpretation at any time. Any modification to the federal income tax laws and interpretations thereof may or may not be applied retroactively. Moreover, any such modification could make it more difficult or impossible for the Partnership to meet the exception which allows publicly traded partnerships that generate qualifying income to be treated as partnerships (rather than corporations) for U.S. federal income tax purposes, affect or cause us to change our business activities, or affect the tax consequences of an investment in its common units. For example, as discussed above, on January 24, 2017, Final Regulations were published in the Federal Register and apply to taxable years beginning on or after January 19, 2017. The Final Regulations will likely affect the Partnership’s ability to continue to qualify as a publicly traded partnership.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own the following