

CONSOL Energy Inc  
Form DEF 14A  
March 29, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to §240.14a-12.

**CONSOL Energy Inc.**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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**CONSOL Energy Inc.**  
**CNX Center**  
**1000 CONSOL Energy Drive**  
**Canonsburg, Pennsylvania 15317**  
**Telephone (724) 485-4000**  
**Annual Meeting of Shareholders**  
**to be held on May 8, 2013**

Dear Shareholder:

You are cordially invited to attend CONSOL Energy Inc.'s 2013 Annual Meeting of Shareholders on May 8, 2013 at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231.

The enclosed Notice of Annual Meeting and Proxy Statement describe the various matters to be acted upon at the meeting. Whether or not you plan to attend the Annual Meeting, you can ensure that your shares are represented at the meeting by promptly voting and submitting your proxy by telephone or by internet (as described in the enclosed proxy card or voting instruction card) or by completing and returning the enclosed proxy card or voting instruction card, which requires no postage if mailed in the United States.

If you need assistance, please contact CONSOL's Investor Relations Office at (724) 485-4000. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 accompanies this Proxy Statement.

We appreciate your ownership of CONSOL Energy Inc. and hope you will be able to join us at this year's Annual Meeting.

Sincerely,

J. Brett Harvey

*Chairman of the Board and Chief Executive Officer*

March 29, 2013

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**CONSOL Energy Inc.**

**CNX Center**

**1000 CONSOL Energy Drive**

**Canonsburg, PA 15317**

**Telephone (724) 485-4000**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 8, 2013**

Notice is hereby given that the Annual Meeting of Shareholders (the Annual Meeting ) of CONSOL Energy Inc. ( CONSOL ) will be held on May 8, 2013, at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231, for the following purposes:

1. To elect nine directors to hold office in accordance with the Amended and Restated Bylaws of CONSOL;
2. To approve the amendment and restatement of the Executive Annual Incentive Plan;
3. To ratify the anticipated selection of Ernst & Young LLP, an independent registered public accounting firm, as the independent auditor of CONSOL for the fiscal year ending December 31, 2013;
4. To approve the compensation paid to our named executives in 2012, as reported in this Proxy Statement;
5. If properly presented, to consider and vote upon a shareholder proposal regarding political contributions; and
6. If properly presented, to consider and vote upon a shareholder proposal regarding a climate change report.

By resolution of the Board of Directors, we have fixed the close of business on March 22, 2013 as the record date for determining the shareholders of CONSOL entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

Whether or not you plan to attend the Annual Meeting, you can ensure that your shares are represented at the meeting by promptly voting and submitting your proxy by telephone or by internet (as described in the enclosed proxy card or voting instruction card) or by completing and returning the enclosed proxy card or voting instruction card, which requires no postage if mailed in the United States. Your prompt response will be helpful and your cooperation is appreciated. If you attend the Annual Meeting, you may withdraw your proxy and vote in person, if you so choose.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING TO BE HELD ON MAY 8, 2013: The Proxy Statement, form of proxy, Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and related materials are available at [www.edocumentview.com/CNX](http://www.edocumentview.com/CNX) or contact the Investor Relations Department at the address and phone number above.**

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Sincerely,

Stephanie L. Gill

*Vice President, Deputy General Counsel and Corporate Secretary*

March 29, 2013

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This Proxy Summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

**Annual Meeting of the Shareholders**

Time and Date:	Tuesday, May 8, 2013, at 10:00 a.m. Eastern Time
Place:	Hyatt Regency Pittsburgh International Airport, Wright Room,  1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231
Record Date:	March 22, 2013
Voting:	Shareholders of CONSOL Energy Inc. ( CONSOL or the Corporation ) as of the record date are entitled to vote. Each share of CONSOL common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

**Annual Report**

CONSOL's Annual Report to Shareholders is being mailed together with this Proxy Statement on or about March 29, 2013 to shareholders of record, as of March 22, 2013, of CONSOL common stock.

**Proposals for Meeting****I. Elect Nine Directors**

The following table provides summary information about each director nominee as of March 15, 2013. Each director nominee is elected annually by a majority of votes cast.

Name	Age	Director Since	Occupation	Committee Memberships					
				Independent	AC	CC	HSE	FC	NCG
J. Brett Harvey	62	1998	CONSOL Chairman and Chief Executive Officer						
Philip W. Baxter	64	2009	Former President Stan Johnson Company; Lead Independent Director of CONSOL and Stan Johnson Company	X	X	X			X
James E. Altmeyer, Sr.	74	2003	Former President/Chief Executive Officer and Chairman of Altmeyer Funeral Homes, Inc.	X			C	X	
William E. Davis	70	2004	Former Chairman and Chief Executive Officer of Niagara Mohawk Power Corporation	X			X		C
Raj K. Gupta	70	2004	Independent Management Consultant and Former Vice President of Strategic Planning of Phillips Petroleum Company	X	C		X		
David C. Hardesty, Jr.	67	2005	President Emeritus and Professor of Law at West Virginia University	X			X	X	
John T. Mills	65	2006	Former Chief Financial Officer of Marathon Oil Corporation	X	X	X			

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William P. Powell	57	2004	Managing Partner of 535 Partners LLC	X	C	X
Joseph T. Williams	75	2004	Former Chairman and CEO of DevX Energy, Inc.	X	X	C

AC      Audit Committee  
CC      Compensation Committee  
HSE     Health, Safety and Environmental Committee  
FC      Finance Committee  
NCG     Nominating and Corporate Governance Committee  
C        Chair

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**2. *Approve the Amended and Restated Executive Annual Incentive Plan***

The Executive Annual Incentive Plan was originally adopted and approved by CONSOL's shareholders in 2008, to advance the interests of CONSOL by providing annual cash incentives to officers and key employees, and is being submitted for shareholder approval at this Annual Meeting to continue to enable awards granted thereunder to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

**3. *Ratify the Anticipated Selection of Ernst & Young LLP (Auditors)***

As a matter of good corporate governance, we are asking shareholders to ratify the anticipated selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.

**4. *Approve Named Executive Compensation***

We provide our shareholders with an annual advisory vote to approve the compensation paid to our named executive officers (named executives). The following summary of 2012 compensation decisions demonstrates the direct linkage between our pay practices with respect to our named executives and our short- and long-term corporate financial and stock performance.

**5. *Consider Shareholder Proposal Regarding Political Contributions***

As described later, a shareholder of the Corporation has submitted a proposal regarding disclosure of political contributions made by CONSOL and CONSOL's related policies and procedures. For the reasons set forth in *Proposal No. 5 Shareholder Proposal Regarding Political Contributions*, the Board recommends that the shareholders vote AGAINST this proposal.

**6. *Consider Shareholder Proposal Regarding a Climate Change Report***

As described later, a shareholder of the Corporation has submitted a proposal regarding a climate change report by CONSOL. For the reasons set forth in *Proposal No. 6 Shareholder Proposal Regarding A Climate Change Report*, the Board recommends that the shareholders vote AGAINST this proposal.

CONSOL's Board of Directors (the Board) recommends that you vote **FOR** the election of each of the director nominees, **FOR** Proposals 2, 3 and 4, and **AGAINST** Proposals 5 and 6.

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### *2012-13 Business, Governance and Compensation Highlights*

**Record Safety Performance in 2012:** Our Coal Division improved its reportable incident rate by approximately 8% from 2011 (approximately three times better than the industry average). Our Gas Division employees had no lost time accidents, having surpassed 6 million exposure hours, without a lost time accident. These results are important for our shareholders because a safe workplace reduces our costs and increases the reliability of our operations and production. CONSOL also improved its safety compliance and reduced Mine Safety and Health Administration (MSHA) orders by 8.6% and MSHA citations by 11.6%, each as compared to 2011.

**Maintained Exceptional Financial Performance in Very Challenging Markets for Coal and Natural Gas in 2012:** CONSOL delivered exceptional results in a very challenging time. CONSOL management anticipated slowing markets by reducing administrative and operating costs, balanced coal shipments while maintaining strict mine inventory levels, reduced our natural gas drilling levels, and refocused drilling activity on the higher return wet gas areas. Thus, in very challenging markets, CONSOL delivered in 2012: (i) net income of \$388 million; (ii) cash flow from operations of \$728 million; and (iii) adjusted EBITDA of \$1.3 billion,\* which was only surpassed in the past five years by the record performance of 2011. CONSOL continues to reinvest in our business in a measured way while keeping our liquidity strong. CONSOL's assets and strategic focus continue to deliver outstanding results both in good and bad economic times. Combined results for 2011 and 2012 demonstrate the success of management's approach: (i) net income over \$1 billion; (ii) cash flow from operations in excess of \$2.2 billion; and (iii) adjusted EBITDA in excess of \$3 billion.\*

**Consistently Outperformed Our Coal Peers:** Our stock price outperformed each of our coal peers' stock price -- Alpha Natural Resources, Inc., Peabody Energy Corporation and Arch Coal, Inc. -- in 2012. Compared to the average of our coal peers, CONSOL's total shareholder return was 29% better on a one-year basis, 28% better on a three-year basis and 16% better on a five-year basis. CONSOL ranked in the 58<sup>th</sup> percentile relative to its current TSR Peer Group described on page 43. CONSOL's prudent approach to capital allocation and understanding market dynamics has enabled the Corporation to avoid substantial write-downs.

**Participation in Growth of World Coal Markets:** CONSOL continues to participate in the growth of the world coal markets, exporting more than 10 million tons in 2012.

**Shareholder Outreach/Re-Design of 2013 Long-Term Incentive Program:** Following our 2012 say-on-pay vote, we actively engaged in discussions with our shareholders and considered shareholder sentiments about our core principles and objectives when determining the compensation of our named executives. As a result of those discussions, CONSOL redesigned its 2013 long-term incentive program to be entirely performance-based and at-risk. CONSOL stock units were the only long-term incentives granted to our executive officers in 2013 and these awards will only be earned if the Corporation's (i) average closing stock price at the end of the three-year performance period equals or exceeds 50% of the Corporation's average closing stock price at the commencement of such period and (ii) return on average capital employed ( ROCE ) for the three-year performance period equals or exceeds 80% of the cumulative, budgeted ROCE for such period. If (i) and (ii) are achieved, the number of shares earned will be determined based on the following formula (with payout capped at 150% of target):

$$\text{Stock Units (at target)} \quad \times \quad \frac{\text{Ending Stock Price}}{\text{Beginning Stock Price}}$$

This program applies to our executives and numerous non-executives throughout CONSOL. The Compensation Committee's practice is to strictly adhere to payout formulas developed under its compensation programs. In accordance with this practice, the CONSOL Stock Units and the related performance formula do not allow for any exercise of discretion by the Compensation Committee.

**Implemented Stock Retention Guidelines:** The Compensation Committee adopted stock retention guidelines that apply to CONSOL stock units granted after December 31, 2012 and which require that 50% of the shares subject to a CONSOL stock unit award (net of taxes) must be held by the recipient until the earlier of (i) 10 years from the share settlement of such award or (ii) the recipient's normal

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retirement. These retention guidelines are in addition to our existing stock ownership guidelines, which require our executives to own a significant level of stock until the executive retires or otherwise terminates service with the Corporation.

\* *Reconciliations of adjusted EBITDA for 2011 and 2012 can be found on pages 61-62 of our Annual Report on Form 10-K for the year ended December 31, 2012.*

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**No Tax Gross-Ups:** As mentioned in the past, CONSOL has eliminated all tax-gross ups for our named executives (except those provided for in change in control agreements that were entered into prior to April 2009).

***Executive 2012 Pay Significantly At-Risk:***

***Chief Executive Officer's 2012 Pay -- Decreased Salary and Increased At-Risk Pay (only Performance Share Units Granted, no Restricted Stock Units or Options):*** For 2012, our Compensation Committee, together with the full Board, decreased our Chief Executive Officer's base salary by \$100,000 to \$1 million and shifted more of his compensation to at-risk pay. Approximately 92% of our Chief Executive Officer's compensation was at-risk for 2012. Our Chief Executive Officer's 2012 long-term incentive opportunity -- all in the form of performance share units -- will be earned as follows: (i) 87.5% based on the achievement of certain performance goals, including relative total shareholder return, return on capital and safety; and (ii) 12.5% based on our stock price appreciating in value, on an absolute basis, over a two-year period, and on CONSOL achieving certain performance goals, over a two-year period, related to promoting long-term growth, including through strategic transactions. Further, the Compensation Committee did not increase the Chief Executive Officer's total direct compensation in 2013.

***No Base Salary Increases for Any Other Named Executives for 2012:*** The Compensation Committee did not increase executive officers' base salaries for 2012.

***Actual Realizable Pay Substantially Less than Reported Compensation:*** CONSOL pays for performance. If CONSOL's stock price does not perform, a substantial portion of our executives' at-risk pay has a reduced value and in that event, actual executive pay received will be less than the compensation required to be reported by the proxy disclosure rules.

***Risk Mitigation:*** The incentive compensation payable to our named executives is based on a variety of performance factors, including safety, compliance, production, costs, total shareholder return and return on capital, which is designed to incentivize activities that lead to sustained growth and mitigate inappropriate risk.

***Corporate Responsibility Report Issued:*** CONSOL issued its first Corporate Responsibility Report in 2012, which reported on our 2011 performance indicators of corporate governance, safety, compliance (both safety and environmental) and stakeholder engagement. Our second Corporate Responsibility Report will be published in the Spring of 2013.

***Employ Best Governance Practices in Executive Compensation Program:*** We have adopted no-hedging and no pledging policies in our insider trading policy, which generally prohibit our directors, officers, and employees from engaging in hedging and pledging transactions involving shares of CONSOL common stock.

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**CONSOL Energy Inc.**

**CNX Center**

**1000 CONSOL Energy Drive**

**Canonsburg, PA 15317**

**INFORMATION ABOUT THE ANNUAL MEETING**

March 29, 2013

The enclosed proxy is being solicited by the Board of CONSOL to be voted at the Annual Meeting of Shareholders (the Annual Meeting ) to be held on May 8, 2013, at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Wright Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231.

The specific proposals to be considered and voted upon at the Annual Meeting are summarized in the Notice of Annual Meeting of Shareholders. Each proposal is described in more detail in this Proxy Statement.