Center for American Progress

Coal-Fired Conflict

Enabling Exports Clouds Environmental, Economic Goals

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The shift to a green economy, as we at CAP have long argued, is more than just investing in clean and efficient energy technologies in various industries—it is a transformation of the economy from one based on volatile, ever-risky fossil fuels to one that is more diversified, more sustainable, and more economically prosperous overall. But if the United States is serious about combating the perils of climate change through economic and environmental transformation, should we really be encouraging the export of American coal to Asian markets?

It's a debate worth having, and while it has yet to break through the media bubble of Washington, D.C., it's already heated up in the Pacific Northwest and the coal-rich areas of the interior West.

In Washington state, proposals to build the region's first large coal export terminals—at the very same time that the environmentally progressive state works to wean itself off coal for its own electricity—have generated a broad-based campaign of opposition to facilities that would include docks, conveyor systems, and large coal storage areas needed to load huge ships bound for Asian markets.

Meanwhile, at the same time U.S. utilities are abandoning plans to build new coal-fired electric plants, and coal's dominant share of the U.S. power market is beginning to decline, the Department of the Interior is preparing to lease large tracts of its Wyoming lands to new coal mining projects. On a visit to Wyoming on March 22, Interior Secretary Ken Salazar announced that his department will sell four large coal leases to Antelope Coal LLC; Caballo Coal Company, an affiliate of Peabody Energy; and Alpha Coal West. It is expected that those leases would over 15 years provide the companies with 758 million tons of coal from the Powder River Basin. Interior will also decide this year on whether to advance proposed leases on another 1.6 billion tons of coal.

Why increase mining and production at the same time domestic coal demand is expected to slow? For export, of course. "We're opening the door to a new era of U.S. exports from the nation's largest and most productive coal region to the world's best market for coal," noted Peabody Energy Chairman and Chief Executive Gregory Boyce in a February statement. How much of that coal may eventually be exported is anybody's guess. But the simple reality is that coal is on the decline in the United States amid an accelerating transition to natural gas and the prospect of full carbon dioxide emissions regulation by the Environmental Protection Agency.

China, on the other hand, has emerged as a leader in developing clean, renewable energy, but its demand for coal is still staggering, and growing, and China is predicted to build 2,200 new coal-fired electric plants by 2030.

Coal companies, already boosting exports through terminals in British Columbia, increasingly viewing China and other overseas markets as an answer to cooling domestic demand. While coal exports are still relatively small—about 41 million tons in 2009—they are climbing fast according to data compiled by the Energy Information Administration. Through the first nine months of 2010, the United States exported nearly 61 million tons. Exports to Asia during the first three quarters of 2010 were three and a half times total 2009 exports; China's imports from the United States rose by more than 10 and a half times in the same period.

Exporting raw materials versus an innovation economy

The decision to ramp up domestic coal mining for export has major consequences for the United States beyond the important environmental and health impacts on the communities near mines and rail transport lines. We have always been a resource-rich country but have long made the decision not to pursue a resource-extraction model of economic growth. In Canada and Australia, by way of contrast, the extraction of minerals and fuels—much of it for export—makes up 4.5 percent and 8 percent respectively of GDP. The major reason to avoid dependence on resource extraction is that countries that pursue this model tend to become much more vulnerable to price shocks in their major resource markets—think of oil in the Middle East, for instance.

Keeping the economy diverse across a variety of sectors, on the other hand, helps cushion the blow that comes from the collapse of any one sector. This is why traditionally oil-dependent countries like Saudi Arabia, for instance, have begun investing more heavily in a broader range of technologies and industries in order to balance out their economies. In Saudi Arabia's case, new investments in solar technologies in particular also allow the country to use less of its oil for export, making oil resources last longer and weaning the country off its current complete dependence on this very volatile commodity.

Another important reason to keep the U.S. economy diverse is that countries that do put all their eggs in the resource-extraction basket tend to see a corresponding decline in other important industry sectors, especially manufacturing. A weakened manufacturing sector results not just in lost middle-class jobs but also in a decline in a country's overall ability to foster innovation.

The United States is not in danger of shifting to a resource-extraction economy just because we may make a decision to export some coal to China. But the decision does beg the question: Why would we want to invest in a strategy designed to foster China's current economic growth strategy of buying up resources and infrastructure around the world in service of its own economic dominance, rather than investing in developing the domestic clean energy technologies and advanced production processes that could make us global leaders in the emerging clean energy economy?

The choice becomes even starker as we consider the environmental and health impacts of a national coal export strategy on individual communities and individuals. It is to these issues we now turn.

The battle is waged in Washington state

While the question of what kind of economy and environment we want to pursue is a truly national one, the battle over coal exports has so far been waged in the states most immediately affected by it. In Washington state, a number of national, regional, and local environmental groups are mobilizing to defeat two proposals to build new coal export facilities on major waterways.

The first such plan, proposed by Millennium Bulk Logistics, a division of Australia's Ambre Energy Ltd., on the Columbia River in Longview, WA, would have the capacity to ship 5.7 million tons of coal a year to Asian markets. The second, proposed by SSA Marine, would be located near Bellingham, WA, just south of the Canadian-U.S. border. The terminal would have the capacity to ship 54 million tons of coal per year to Asia. SSA Marine already has an agreement with Peabody Energy to ship 24 million tons a year. The coal for both ports would be shipped by rail from Powder River Basin mines in Wyoming and Montana.

Controversy over whether Millennium Bulk Logistics sought to conceal the true size of its project in Longview by as much as 60 million tons a year caused a setback for the company. In response, it withdrew its local permit application in mid-March and said it would submit a new application after further environmental reviews.

Environmentalists who challenged the planned export terminal on health, public safety, and carbon emissions grounds hailed the decision as an interim victory. "They were caught being dishonest with the state and with the county," said Brett VandenHeuvel, executive director of Columbia Riverkeeper, one of the organizations that had requested a state agency to overturn a county permit that won preliminary approval last November. "People don't like being misled. There is a strong public desire to know how many trains will be holding up traffic in Longview, how many will be going through the Columbia River Gorge, and how much coal dust will be in the air," he added.

But both the Longview and Bellingham proposals are being attacked on a number of other fronts as well. Shipping 60 million tons of coal a year would require 22 trains a day, each more than a mile long, causing traffic disruptions, noise, pollution, and other impacts from Montana and Wyoming to the coast. BNSF, a leading coal hauler, estimates each train can lose up to 3 percent of its load in coal dust during transit, which environmentalists assert can be a health hazard. They also cite potential spills into the Columbia River, mercury pollution wafting from China to the United States when coal is burned, and carbon pollution.

Though Washington state officials are considering the effects of climate-change-causing emissions stemming from shipping the coal across the western United States, there are no legal requirements to consider the carbon pollution from burning the coal half a world away.

KC Golden, who directs policy at Climate Solutions, a Seattle nonprofit, says that is a crucial consideration. "We are really at a huge economic crossroads, and we believe a moral crossroads, in terms of the relationship of our state to this global problem," he told the *Los Angeles Times*.

But Montana Gov. Brian Schweitzer, who has traveled to Washington state to support the terminal proposals, said that burning relatively clean western U.S. coal would actually be a benefit to the global climate given that China is going to burn coal from somewhere, most likely dirtier coal. And he said it was hypocritical for Washington state to oppose the projects at the same time the state burns coal from Montana and uses electricity generated in his state. "At every street corner, they've got a Starbucks coffee or a Seattle's Best, and they're drinking all that hot coffee and talking about how bad that coal is," Schweitzer, a Democrat, told the *Billings Gazette*. "All the while, that coffee was heated with coal electricity that was burned in Colstrip, [Montana] and put in wires and sent to all four corners of that intersection in Seattle for 40 years. That's a fine how-do-you-do."

The coal export proposals also face opposition from some of Schweitzer's own constituents. The Northern Plains Resource Council has urged Washington Gov. Chris Gregoire to carefully review the export facility proposals the group fears will harm productive Montana agricultural lands and disrupt Montana communities.

The view from Washington, D.C.

The Obama administration says it views climate change as an urgent worldwide problem and the transition to a cleaner and more diverse energy economy as a key priority. The White House website, for example, has this statement of policy:

No nation, however large or small, wealthy or poor, can escape the impact of climate change. This is a global problem, and the Obama Administration is committed to leading the charge to reduce the dangerous pollution that causes global warming, and to make the investments in the clean energy technology that will power sustainable growth in the future.

At the same time, the World Bank just came out with a new proposed energy strategy that would limit its financing of coal-fired power plants in countries around the world, in an effort to "make a significant contribution to the global goals of reducing energy poverty and achieving sustainable development."

How can these goals be squared with the Department of the Interior's aggressive leasing of its coal lands in Wyoming?

Interior Secretary Ken Salazar, whose recent announcement of the impending lease of 758 million tons of federal coal was warmly welcomed by Wyoming Gov. Matt Mead and coal industry executives, said coal remains an important energy source for the nation.

> *"Coal is a critical component of America's comprehensive energy portfolio, as well as Wyoming's economy," Salazar said. "Wyoming is the number one coal producer … and contributed … more than 40 percent of the coal used in the nation's coal-fired power plants."*

Based on news accounts, Salazar made no mention of the possibility of exporting the coal. But it is hard to imagine some of that coal will not go overseas since, as the *Casper Star Tribune* noted, several of the major coal companies that mine Powder River Basin coal are already exporting U.S. coal and looking to expand those opportunities. Analysts expect a modest increase in U.S. demand for coal in 2011.

Coal exports are increasingly looking like the silver bullet for coal companies and utilities worried about the overall decrease in coal's share of electricity generation that is expected in the United States in the next couple of decades, as natural gas prices drop and the EPA puts more stringent regulations on the pollution produced by coal plants. Though the Energy Information Administration predicts a modest rise in U.S. coal consumption of about 9 percent by 2035, other analysts—and recent history—suggest otherwise.

The Sierra Club, for example, says the prospects for coal have quickly dimmed as no construction began on any new coal plants in 2010 for the second year in a row. Meanwhile, utilities have dropped plans to build 38 new plants and announced plans to retire 48 plants with a capacity of 12,000 megawatts of electricity.

And Deutsche Bank projected in a report issued late last year that coal's share of overall U.S. power generation, currently 47 percent, will drop to 22 percent by 2030, with much of that loss replaced by a shift to natural gas generation.

"Coal is a dead man walkin'," Kevin Parker, global head of asset management and a member of the executive committee at Deutsche Bank, told *The Washington Post*. "Banks won't finance them. Insurance companies won't insure them. The EPA is coming after them. … and the economics to make it clean don't work."

If the United States is to assume a position of world leadership in the effort to reduce global warming pollution, and if it is to commit more fully to a clean energy future with its attendant economic, health, and environmental benefits, it makes little sense for policymakers to facilitate significant increases in coal exports.

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