

Is Coal Ready to Quit?

comments on¹

World Energy Council

Coal Dialogue: 18 – 20 June 2002

Warsaw, Poland

We were fortunate to be invited to attend the World Energy Council's Coal Dialogue. The meeting was generally stimulating and was very well run. The organizers and sponsors are to be congratulated.

We were disappointed by some of the content, however. At the outset, Pan EurAsian would like to clarify that, as consultants and financial advisors, we are very much in favor of achieving high standards of environmental compliance. Part of our practice over the years has been advising on new emissions control technologies for the burning of fossil fuels, especially on how such new developments can be commercialized and financed. Therefore, we definitely have a stake in seeing new technologies be adopted.

However, we are not in favor of pushing new operating equipments or practices on the power generation industry where the costs are not justified by the benefits. It is in this vein that we were disappointed by the attitudes expressed by both speakers and participants at this Coal Dialogue Conference.

At issue, we believe, is the basic science regarding the damage being done by emissions of carbon dioxide (CO₂). We understand that this is a politically highly charged subject. Many pressure and single-issue advocacy groups have been very effective at persuading the general public that CO₂ from man-made sources (such as the burning of fossil fuels) are responsible for causing, or at least accelerating, global warming. There is no question, they say.

But, others are not so sure. Recent indications in the press are that scientists are in nothing like a consensus frame of mind about this.

Some environmentalists argue that it is not important whether or not such a consensus exists at present. What is more important, in their view, is that we cannot take the chance of inaction. If man-made CO₂ emissions are responsible for global warming, the length of time it will take us to correct this problem is so long that we do not have the luxury of time to study whether or not the assumption is right or wrong. Therefore, they argue it is better to take proscriptive actions now rather than do nothing and find out later we should have done something. Fair enough.

Our problem with this argument is the other side of that coin.

Those who believe that CO₂ is, in fact, causing global warming have gotten a lot of attention in the general press, and have persuaded governments that "urgent actions" are needed. The results at the Rio and Kyoto meetings speak for themselves. The approbation (especially in Europe) that the administration of US president George W. Bush has received for renouncing Kyoto has been a clamor, even resulting in street demonstrations in Germany when President Bush visited there in May.

In short, the public has come to believe that global warming has been caused by man-made emissions, and that it can be mitigated or stopped by actions man can take. All we have to do, therefore, is to reduce substantially our emissions of CO₂ and the problem will go away.

¹ Pan EurAsian invites contributions to its Opinion Page. Please submit contributions to sales@paneurasian.com. Contributions should be in Adobe Reader format and accompanied by complete contact information so that we may discuss this with you. Inclusion on our web page will be entirely at our discretion. No commercial content will be considered for inclusion.

That latter assumption is most likely wrong, and is dangerous from a social policy point of view.

This error means that in adopting extensive and expensive solutions we will, at best, delay adoption of more effective actions, and at worst, subject our children and grandchildren to a nasty surprise.

Assume for the moment that global warming, man-made or not, is real, and that the effects of global warming will be considerable. It follows that there will be winners and losers if there is considerable warming of the global climate. The winners need to do nothing more than wait with happy anticipation of good things to come.

The losers need to consider what remedial actions they can take. Suppose, for a moment, that global warming means that in 100 years cities like New York and London will be five inches underwater at low tide. What can they do? Indeed, if such is to be the case, it would seem that millions of people will need to relocate between now and then; or build huge dikes.

But if people are led to believe that the problem has been “fixed” simply by reducing power plant emissions when that is not the case, they will do nothing until it is too late.

We conclude, therefore, that in this case, it is far worse to do the wrong thing than it is to take the time to make sure we do the right thing. Simply stated, if New York and other cities are to be submerged within 100 years, then, by all means, let’s do something about that – *if we can*. But let’s not kid ourselves, either, that we have when we have not.

Many of the actions being proposed (such as were heard at this conference in Warsaw), will substantially damage the coal and power generation industries. Damaging those industries, as a concept in a vacuum, does not generate much public concern or sympathy. But damaging those industries, when specifically referring to the loss of jobs, the decapitalization of companies and loss of pension fund monies, regional depressions, and inflationary pressures on basic commodity costs, can mean a lot to a lot of people. It can have a direct impact on millions of people who may have never even seen a lump of coal, and may never care to see one.

Proposed at this conference were ideas that seemed economically challenged. For example, one proponent of injection of CO₂ emissions into storage facilities claimed it would cost “only” 1.5¢ (US) per kilowatt hour to the consumer to achieve a dubious benefit. Stated another way, it would impose costs on power generation roughly equivalent to present fuel costs. Not so small.

Another speaker seriously proposed a program of “zero emissions” (including exhaust gases) from power plants, although under questioning he admitted that the label “zero emissions” was for PR purposes, not scientific.

What bothered us the most was what seemed to be the total lack of righteous indignation of industry representatives at such suggestions.

Our impression is that the coal and power generation industries have given up this battle before it has even started. That is a big mistake, and borders on social irresponsibility to their constituents: customers, shareholders, and employees.

For the reasons we have outlined here, we believe that they will be doing society in general, as well as their constituents, a great service by standing up and saying: let’s make sure that what we do about this problem is the right thing to do.

It reminds us of the old question that was often asked in jest in the military: “Why is there never enough time to do it right, and always enough time to do it over?” Except this time, there may not be enough time, or money, to do it over.