

COAL IN THE NEW WORLD ORDER

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There is little question that coal will have an extremely important place in the new world order and its place will derive from its current role.

Last year the world consumed 4.7 billion tonnes of coal - roughly the equivalent of 13 billion barrels of oil. What was done with all of that coal was simply to generate 30% of the world's primary energy making coal second only to oil, at 38%, as a worldwide energy source. 47% of the world's electricity was generated using coal. In fact, during the 1980s over 40% of the increase in fuel requirement for power generation came from coal. By the year 2010 it is expected that coal will overtake oil as the single most important source of all energy used on earth. Coal is also used in the production of 75% of the world's steel.

Why is the world so dependent on coal? Because it is relatively easy to mine. The technology to use coal is fairly simple, long proven and safe. Used at mine mouth operations coal is, frankly, cheap.

Coal is also ubiquitous. Certainly the majority of the world's coal is located in the United States, China and the U.S.S.R. But, there is virtually no region of the world without significant reserves and therefore, it is a fundamental fuel for countries striving to achieve energy independence. Last, but by no stretch of the imagination least, the world's coal reserves total in excess of one trillion tonnes. Measured in years of supply, at current rates of production coal weighs in at 230 years, natural gas at 60 years and crude oil at 40 years. Put another way, 71% of the world's hydrocarbons are in the form of coal.

So, to return to the question posed in the title of this talk, coal brings a pretty big stick to the energy picture. This is also the case when we look in our national backyard. Coal represents to some 70% of Canada's fossil fuel resources too. Our 27 coal mines produce over 70 million tonnes of coal per year. And, once out of the ground there are a number of things we do with it but the most important ones are to export it to 19 countries for power generation and steel production, and to use it domestically to generate 18% of Canada's electricity. It should come as no surprise that Japan is our principal export customer but we are also, in fact, shipping coal to Newcastle as well. The contribution to Canada's export earnings from our coal trade is in excess of \$2 billion per year.

We use our coal to generate the majority of the electricity in the provinces of Alberta, Saskatchewan and Nova Scotia and a portion of the electricity in New Brunswick, Ontario and even Manitoba. In fact, coal in Canada is second only to hydro as a source of electricity.

That's in our backyard. In your backyard, here in British Columbia, the seven coal companies operating eight coal mines generated 93% of all mining industry tonnage and 34% of the industry's net revenues. Roughly 22,000 men and women derive their livelihood in British Columbia from the province's coal. The industry spent \$330 million in the province last year on supplies and services.

My point in mentioning some of these things is simply as a reminder that coal is, today, a major part of British Columbia's economy and social make up. It is also a reflection of what British Columbia is all about - a resource based economy supplying the world with raw materials.

There is, of course, a double edged sword here. The other edge being the environmental side of the question.

If we ignore the issues of cloth vs. disposable diapers and plastic vs. paper at McDonald's, there seems to be four front-page type global environmental issues facing mankind today. These are global warming, ozone depletion, acid rain and deforestation.

Now, I must admit that it seems ironic that no one has actually died as a result of these headline grabbing issues, yet lack of access to clean drinking water kills hundreds of people daily. This doesn't seem to capture the attention of the public - or is it the attention of the media that isn't captured?

In any event, the acid rain issue seems to be resolved here in North America. In western Canada, where 97% of the nation's coal is located, its sulphur content is about 0.5% on average. When this coal is burned in modern power plants in the highly sensitive eastern Canadian environment, its contribution to acid rain is negligible. In areas where the sensitivity to acid deposition is low, most of western Canada for example, there really is no acid rain problem. With the passage of the Clean Air Act in the United States, the source of the majority of the east's acid rain, we should see the eventual mitigation of this problem.

The key environmental question linked to coal is the prospect of global warming - a trend many scientists think could have serious impacts for all of us. Unfortunately, we seem to be some years

away from having definitive answers to the many uncertainties surrounding the global warming issue.

Now, all of us in the energy business care about the lives and lifestyles of our children and grandchildren. None of us want them to face the environmental, social and economic disaster that some predict could result from potential climate change. Nevertheless, we simply cannot overlook the scientific uncertainties that still exist concerning this whole issue. These uncertainties should not be overlooked in a rush to judgement. The information available to make sound policy decisions is inadequate because of uncertainties as to how effective specific response options would actually be met in addressing the matter.

Part of the problem is, I think, that everywhere in the world we are approaching overload. In speaking to governments, industry people, and people from the environmental movement, there is a major concern that none of us can keep up with the pace with which things are happening. This environmental overload frightens me because I believe it is encouraging bad decisions.

Another part of the problem, from our perspective at least, is that the international scene is dominated by far by issues that have to do with air quality as opposed to water quality, land use, population problems, or world hunger. In fact, this is so much the case that some environmental people are saying that global warming is really a strawman put up to draw attention away from more urgent environmental issues facing various countries. And I would have to agree that to some degree, the issue of global warming and potential climate change is a rich man's disease. Countries that have problems with water supply, with their ability to raise food, with lack of energy supplies, and with burgeoning populations, seem to be putting global warming a little further down the list. That makes sense to me.

Not so in Canada however. We've recently heard our policy makers, and others, demand a 20% reduction of CO₂ emissions below the 1990 emissions level. Large budgets and significant staff contingents are now dedicated to the business of discussing, making and implementing such environmental policy. The costs which they may impose on the economy are not yet an issue as the public believes "rich" industry can afford anything to be green.

The product of these forces are policy initiatives, with no defined policy process and a lack of overall strategy. Industry is faced with a flood of initiatives at all levels of government.

The proposal to reduce CO₂ by 20% fits well as an example. Aside from the fact that no one has figured out how we could achieve this reduction it may not make any sense anyway. We would likely cripple our already tenuous hold on being internationally competitive while causing significant social and economic dislocation throughout the country.

You know, Canada is responsible for only 2% of the world's CO₂ emissions. We could theoretically eliminate them altogether with no net global environmental pay back whatsoever.

So why are we being so aggressive on this issue? Where is all this impetus coming from? Well, let me give you a little bit of history. You may think the Bible is an old document, well, there's a new Bible, it is called "Our Common Future" produced by the World Commission on Environment and Development and published in 1987. It's commonly known as the Brundtland Report because it was chaired by Madame Gro Brundtland, the then Prime Minister of Norway. And another document called "No Time to Loose - The Challenge of Global Warming" is what I might call the proposed New Testament for Canadians.

The Brundtland Report addressed the full range of environmental and development issues facing the world today. It brought into common language the term "sustainable development" - the idea that we can use the resources of the world wisely for our own needs without damaging the ability of future generations to have access to those same resources.

I believe that this concept has contributed wisely and well to a major world debate on what we are doing to our planet and how long we can continue to do it.

Certainly, we are doing a lot of really stupid things. For decades because of lack of sensitivity to the environment we have polluted our rivers and lakes and streams, we have encouraged over use of land, we have distributed toxic chemicals into our environment without realizing either what we were doing or the harmful effects. Because we have had access to plentiful energy supplies, especially in Canada, we have not been very careful to insist on a high level of efficiency in their use.

We need to address these issues, and indeed, in many cases we are as we witness the demand side management programs of a number of the utilities and I think an outstanding example is here in British Columbia. There are many improvements we can make in how we treat our environment which makes sense in their own right. By that I mean they're economically and technically feasible and they do not mean throwing out our lifestyle in order to accommodate them.

Frustrating though is what goes beyond that stage and specifically around the issue of global warming. The body of scientists which the Intergovernmental Panel on Climate Change brought together at their latest meeting in Geneva, basically came to the conclusion that global warming is already a fact, but that there are great uncertainties around the timing of temperature change, what impact that might have on climate and what the magnitude of any changes might be. Nevertheless they recommended that the world take immediate action to reduce CO₂ emissions.

Now many of the efficiency steps we can take will in fact reduce CO₂ emissions and may well improve the economy of the country - but you need to understand that our government has committed to a policy that says that "... we will freeze the CO₂ emissions of the Canadian nation at the current levels by the year 2000." Here in the west what that means is that we will reduce our CO₂ emissions by approximately 30% over what they would have been had we not made efforts in that direction. That is a massive undertaking. Furthermore, the New Testament, which is a report of the Standing Committee on Environment of the House of Commons, says that is not good enough. It says we have got to reduce CO₂ emissions by the year 2005 by 20%, which probably means over 50% reduction in what we would have generated, and that's the starting point.

They also recommend continuing reductions beyond 2005. So, what's there to be upset about? Well let me tell you that the Energy, Mines and Resources department of our Federal Government has a discussion paper aimed at understanding how we would stabilize at the 1990 levels, and at this point in time it basically states that we don't know how to do it. We think, with demand side management, we can possibly reach halfway to that goal, but beyond that we don't know, and yet we have a federal committee recommending even more drastic steps. Interestingly, nobody has any idea of what the costs of doing these things might be, nor do they have any idea what the social impacts might be. Environmentalists are ready to stand up and say it won't cost you anything, in fact there will be economic benefits. And if you examine some of the numbers that they throw around - I think they need a course in economics!

Now, let me tell you what is really upsetting and that is the pressure being brought to bear on our government to make these kinds of commitments. Frankly I don't really understand the motivation, maybe its a process that has gotten out of control, maybe the ball has started rolling and its not a ball anymore it's a snowball, and maybe what it has triggered is a green avalanche.

Network '92 is a document put out regularly by the Center for Our Common Future based in Geneva, which was formed as a response to the Brundtland Report. Let me read you a couple of excerpts.

- *Norwegian Campaign on Environment and Development and the Environmental Defense Foundation from Argentina announce the launch of the International Children's Voice Campaign and invite wide participation.*
- *It is anticipated that other national organizing committees will join forces with the two founding groups to provide public hearings where children can present their thoughts, worries and demands to society and adult decision-makers.*
- *Many of the Canadian NGO initiatives on UNCED now will be focussed through an "Inter-Agency Task Force. " It will:*
 1. *facilitate information sharing and coordination of inter-sectoral initiatives;*
 2. *help coordinate a broad public education function;*
 3. *develop a lobbying strategy vis-à-vis the Canadian government for all stages of the preparatory process and the Conference itself;*
 4. *build consensus on particular issues...;*
 5. *perform an international liaison and networking role ..*
- *The Task Force includes participants from the United Nations Association in Canada, the Canadian Council for International Cooperation, the Canadian Environment Network, several indigenous peoples groups, Canadian Council of Churches, Canadian Council of Catholic Bishops, National Action Committee on the Status of Women, Canadian Labour Congress, Canadian Peace Alliance and youth agencies.*

My reaction is that industry is being outgunned in terms of the dollars that are available to support action on the environmental front. Outmanned by a factor of hundreds to one in terms of the number of people that we can dedicate to these issues. And frankly, we are outmaneuvered in the field. Can you imagine anything more manipulative than the Children's Voice Program. Can you imagine industry doing something like that -I can't. Is it any wonder that government is responding the way it is.

Well I think the time has come for "industry" to respond to the green avalanche. I think the time has come that the message goes to government from all of industry - and that includes our employees - that yes, people are concerned about the environment, that yes, we want to do now the things that make sense in their own right. That yes, we want to conserve energy and be more

efficient in its production. But if you - the government - are going to go beyond the no-regrets policy, if you are going to force major changes in our lifestyle, if you are going to have major impacts upon our economy, then we want to be certain that those changes will have the effect on the environment that we hope for. And even more so, we want to be certain that the problems we are tackling are real.

I believe the time has come for us to demand the famous level playing field, a playing field where the government recognizes the imbalance that exists between the extreme pressures being put on them through a highly organized, diverse, well supported environmental lobby and the basic inability of industry to play the same kinds of games. I believe that message has to come from you, has to come from me, more than that, it has to come from all the people whose jobs, whose lifestyles, and whose environment are at stake.

The government is being subjected to extreme pressure and let me tell you the government is responding. Many politicians seem to see the green movement as a way to get reelected. Too many politicians seem afraid to offend the environmental movement. Well let's tell them that there is a bunch of people out here whose jobs depend on what the government does and the government had better be sure they don't offend them either.