

# Opinion: Artificially cheap coal hurting Albertans; Government subsidies make it hard for renewables to compete

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Over the past year, we have been working with other like-minded people to educate Albertans about the negative health effects of burning coal to make electricity and advocating for cleaner generation options, particularly renewables.

While there has been widespread support for such a transition (a recent poll showed 80 per cent of Albertans support a transition to wind away from coal), there remain pockets of resistance, especially with our government. A chief argument remains that coal is too cheap not to use.

The truth of the matter is that coal is “cheap” because our government is giving it away at artificially low prices to the utilities. In Alberta, thermal coal — the kind used to produce electricity — has a royalty rate of just 55 cents/tonne. There are few substances on the planet that are that cheap, and fewer locations where coal is cheaper than here.

In 2011, coal electrical generation produced revenues of more than \$3 billion for the large utilities, and that same year our government received royalties of just \$6.5 million for the coal that generated that revenue. That’s not a ton of money, to put it mildly, in a province where government revenue from oil, gas and oilsands clocks in at more than \$5 billion a year. It should be noted that the burning of this coal for electricity produces almost as much CO<sub>2</sub> as all of the oilsands combined. Incredible.

To be fair, we should compare our royalty rates with other jurisdictions that extract thermal coal for electricity generation. Both our neighbours to the east in Saskatchewan and south in Montana have a floating royalty rate of 15 per cent, based on the fair market value of the coal. The U.S. federal lands royalty rate sits at 12.5 per cent. Using a conservative assumption of a market value of \$20 Cdn a tonne for Alberta sub-bituminous coal, if we applied the 15-per-cent floating rate to this province, it would give a fair royalty rate of \$3 a tonne, or \$2.50 a tonne if the federal lands rate is applied. These are very representative of rates we looked at across North America. So, Alberta charges its utilities about one-fifth to one-sixth of what comparable jurisdictions charge for coal.

How did we get here? The Coal Royalty legislation was passed in 1992 setting the rate at \$2 a tonne — but has an override provision, allowing the minister to pass an order arbitrarily lowering the rate. And that same year it was lowered to 55 cents a tonne, and hasn't changed since. Coal companies don't even have to worry about inflation. In 2013, with 23 million tonnes mined, we lost out on \$33 million in revenue ... since 1992, more than \$500 million.

It's no wonder that the utilities are some of the top financial contributors to Alberta's political parties.

You may ask yourself, why do medical doctors like us have concerns about coal royalties?

It comes down to coal's cost to society — the cost to my patients and my family. A group of health organizations (the Asthma Society of Canada, the Lung Association of Alberta & NWT and the Canadian Association of Physicians for the Environment) along with the Pembina Institute released a report last year (A Costly Diagnosis) which calculated that coal costs Alberta more than \$300 million a year in health damages — which works out to about \$13 a tonne of coal burned (23 times the royalty rate). But it's not just the dollars that matter. Each year in Alberta, coal contributes to 100 deaths and more than 4,800 asthma days (days missed from school or work related to an Albertan's asthma exacerbation).

We need to replace coal as a fuel for electricity generation and the logical choice is renewables, which are rapidly decreasing in cost, and have no health or climate effects. But how can renewable technologies like wind and solar power compete with a 19th-century fuel that is effectively subsidized by our government?

It is time for Albertans to revisit our use of a fuel that is costing us our health and our environment.

We can start by at least levelling the playing field and charging the utilities a fair market price for coal so that renewables can compete on equal footing. This would not even begin to cover the health and climate costs, but it would be a small, and important, step toward the urgent goal of phasing out coal power and embracing more responsible, healthy choices.

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