

The real cost of coal is quickly adding up

May 21 2012, By Linda Connor and Stuart Rosewarne

"Cheap coal" is a myth. And like all myths, we accept its wisdom without thinking.

On a recent ABC Q&A show, Senator Nick Minchin said Australians "are blessed with hundreds of years of [coal](#) and gas resources" that give us "a comparative advantage in cheap energy" providing jobs for "thousands upon thousands of Australians."

The NSW government and the Minerals Council praise the benefits of coal: besides employment, it is the source of huge company profits as well as mining royalty payments (\$1.17 billion in 2010-11). Burning coal generates most of the state's electricity and coal is the state's largest export revenue earner.

But, what is the story behind coal? The number of people directly employed in mining in NSW is currently 47,600 or 1.36 percent of a 3.5 million workforce, with about 19,000 in the Hunter (6 percent of the region's workforce).

The benefits must be weighed against many hidden costs, including government subsidies to the industry; the damage to people's health and the environment; and lost opportunities because of failure to develop other industries, including "clean" energy.

Both state and federal governments provide subsidies to the coal industry. Direct subsidies include coal terminal lease fees and providing infrastructure so that coal can be transported to electricity generators or

to port loading facilities.

Recent federal government funding for the Hunter Valley Corridor Capacity Strategy rail upgrade totals almost \$700 million, with further funding in the pipeline.

The whole mining industry receives a subsidy in the form of a tax credit on the diesel that fuels the trucks and machinery. Unlike the rest of us, mining companies do not pay the federal government tax on fuel. This subsidy currently amounts to \$2 billion a year or an \$87 annual contribution from every Australian.

NSW residents subsidise the price of coal to power stations as well as pay higher electricity prices. The previous Labor government undertook to supply coal from the NSW government owned Cobbora mine to electricity generators at a third of the price that coal could sell for in export markets, in order to secure the viability of state generators prior to privatisation. As a result, the government (and the people of NSW) will forego \$2.7 billion in revenue, based on current export prices, through to 2020.

The coal industry will receive compensation once the carbon tax commences in July 2012. In NSW, instead of closing the "gassy mines" that produce high levels of greenhouse gases from methane gas leakage, NSW coal owners can draw on the \$1300 million allocated to the Coal Sector Jobs Package over six years. We also need to consider the health costs from increased air pollution from mining, transport and loading of coal, and coal-fired power generation in the Hunter Region. Air pollution's harm to human health is well documented, leading to a range of illnesses and reductions in life expectancy. The 2010-2011 National Pollution Inventory for Singleton and Muswellbrook reports that particulates (PM10) from mines and power stations have increased to 62,600 tonnes (45 per cent of NSW total). Power stations emit more

than 100,000 tonnes of the harmful gas SO₂, 40 per cent of NSW's emissions. The Australian Academy of Technological Sciences and Engineering (ATSE, 2009) estimated the total healthcare bill from coal-fired power stations in Australia at \$2.6 billion a year.

The costs to the natural environment and farming land are hard to estimate in dollar values. While the NSW Minerals Council says "coalmining is a temporary use of land," in fact, coalmining leaves large tracts of sterile landscape, punctuated by former open-cut voids filled with toxic fluid. Creek beds and aquifers are punctured and cracked. Contaminated mine water is released into river systems, which adds to salinity and harms native species. The expansion of mining threatens rural enterprises such as agriculture, viticulture and horse breeding, and the communities these industries sustain.

On a global scale, coal is the main industrial source of climate change. The burning of coal for electricity has grown faster than any other source of greenhouse gas emissions, and accounts for more than half of world emissions from stationary sources.

The time has arrived to leave behind the myth of "cheap coal". Added together, the hidden costs are unaffordable, for Australians and the planet.

Provided by University of Sydney

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