

Holler promises Subsidising coal production is a really bad idea

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In the fierce competition for the federal government's worst policy, this is a contender



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ON A brisk early-autumn morning in Welch, seat of the poorest county in America's third-poorest state, four young men methodically demolish an old car-parts factory. The men wielding sledgehammers are not vandals, but construction trainees hired by Coalfield Development, a local non-profit, and they are working hard. The low, solid building has good bones, but has fallen into disrepair from extended disuse. The same is true of Welch itself. The beautiful stone and brick buildings, complete with carved mullions, stone flares along rooflines and other architectural flourishes, show that once upon a time this town had confidence and money. Discount shops and boarded-up shopfronts testify to a harder present.

McDowell County is the heart of Appalachia, a once-Democratic region that voted overwhelmingly for President Donald Trump. Mr Trump won four of America's top five coal-producing states (Illinois, with much of its population concentrated in and around liberal Chicago, was the exception). As a candidate he posed in hard hats, and repeatedly promised to put miners back to work.

That has won him fans in coal country. Bill Raney, who heads the West Virginia Coal Association, says that Mr Trump "brought an appreciation for what these folks in Appalachia do...He just gave a renewed vigour and enthusiasm and confidence in coal," which was especially welcome after what Mr Raney calls the "eight miserable years" under Barack Obama's administration, which "did everything they could to discourage" coal use. The president's tenure in office has coincided with increased coal production. In the first six months of 2017, America produced 16% more coal than it did in the same period last year, for which many in the industry, rightly or wrongly, credit Mr Trump.

But that is a small uptick set against a steady decline, which has been caused primarily not by environmental regulations, as Mr Trump and many in the coal industry claim, but by market forces. More people work as fitness trainers, actors or florists than in the coal business. The Bureau of

Labour Statistics estimates that coalmining employed 51,200 people as of November 2017—an improvement, year-on-year, of more than 1,500, but still well below the recent peak of 89,700 in 2012.

Nationally, coalmining employment peaked in 1920, when there were around 785,000 miners. The marked decline in employment partly stems from automation. According to Devashree Saha and Sifan Liu of the Brookings Institute, a think-tank, in 1980 American mines produced 1.93 tons per miner-hour; by 2015 they produced just under 6.3. Automation did to coal mining what it did to manufacturing: made it more dramatically productive even as it reduced the amount of human labour required. This trend will probably intensify in the near future, as machines grow increasingly autonomous.

The dip in jobs also reflects a westward shift in America's coal heartland. To the average American, the word "coalminer" summons an image of a weather-beaten man in Appalachia with a pickaxe in one hand and a hard hat with a lamp on it walking stoically into a mountain fissure. That image has not been accurate for decades. Most American coal comes not from West Virginia or Kentucky, where production has been falling since 1990, but from immense surface mines in Wyoming's Powder River Basin. Coal there is far cheaper to mine, partly because it requires much less labour, than in Appalachia, where the easiest seams have long been tapped out, and what remains is deep inside mountains and hard to reach.

Most American mined coal goes to generate domestic energy, but a disproportionate share of coal companies' revenue comes from exporting metallurgical coal, used in steel manufacture. At the peak of Chinese coal demand earlier this decade, prices for exported "met" coal were often triple those of other types. Coal firms bet that demand would continue, and that Asian markets would also want ordinary steam coal. But as China's economy began to rebalance away from massive infrastructure building and towards consumption, demand flattened, then fell. If China's appetite remains depressed, along with global and domestic demand, so will coal revenue and employment.

The real threat to coal, though, is gas, which fracking has made cheap and abundant. Coal remains America's second-most widely used energy source, generating 30% of American electricity in 2016, more than nuclear (20%) or renewable sources (15%). Natural gas, however, generated 34%, a share that has risen as coal's has fallen—by close to a third from 2011 to 2016. Renewable energy is also getting cheaper and more widespread. Since 2010 the share of domestic energy generated by renewables has grown by nearly 50%.

Gas and air

Many Appalachians saw Mr Obama's environmental attitude not as sound policy aimed at mitigating the risks of climate change, but as an affront from another big-city liberal looking down his nose at them. Similarly, Mr Trump's support of coal seems as much a political payoff to a region and industry that supports him as a retrograde effort to prop up a dirty and expensive energy source in defiance of market economics. But such hope can be a barrier to diversifying the region's economy. The likelier a young man is to believe he will one day have a six-figure coal job like his father, the less likely he is to train for anything else.

In Appalachia, coal is not just a commodity; it is a cultural totem. The chamber of commerce building in Williamson, tucked away in West Virginia's south-west corner, is built from 65 tons of coal mined from the nearby Winifrede Seam. T-shirts and mesh caps for sale in West Virginia's main airport advertise that the wearer is a "Coal Miner's Wife". Licence plates in Kentucky proclaim the drivers "Friends of Coal", and in 2014 the state's senior senator, Mitch McConnell, used as a campaign slogan "Coal. Guns. Freedom."

Many see coal as evidence of divine favour: He put it under American soil for Americans to exploit as they see fit, not to keep in the ground to please pencil-necked environmentalists. Many families have at least one member who has worked in the mines or related industries. Coal provided jobs for people with a strong work ethic but little formal education. One West Virginia banker, a pillar of his community, grows misty-eyed recalling his father, who left school when he was 13 and became a repairman in local mines, earning a six-figure salary that supported a family of six. These jobs were not only well paid, they were also important—coal powered America's expansion and industrialisation—and dangerous. The men who went "down the mines" had a similar band-of-brothers camaraderie to men at war.

Taken literally, which is usually a bad idea, the administration's policies are intended to revive this lost world. First, it wants to repeal the Clean Power Plan, an Obama-era initiative intended to limit carbon emissions from power plants, which the president has called "stupid" and "job-killing". "Did you see what I did to that?" he asked a crowd in September. "Boom, gone." This pleased the audience but was false, for the plan has not yet taken effect. The Supreme Court blocked implementation while it considered lawsuits filed by multiple states arguing that the EPA had exceeded its authority in enacting the plan. Mr Trump's repeal proposal may also face legal challenges. In any event, the EPA cannot simply decline to regulate emissions. The "endangerment finding" of 2009 obliges it to find "the best system of emission reduction" for carbon. The previous administration thought the Clean Power Plan fitted the bill. Even if the current administration successfully repeals the plan, it will still need to come up with the best possible way to regulate carbon emissions.

Second, in late September Rick Perry, the energy secretary, proposed that the Federal Energy Regulatory Commission (FERC) should, in effect, subsidise power plants that have a 90-day fuel supply on site—a category that includes coal and nuclear plants, and excludes renewables, which rely on weather, and natural gas plants, which get their energy through pipelines. He cast this as a way to counteract subsidies provided to renewables, and to keep America's electricity grid reliable and resilient. In a letter to the FERC he noted that during the Polar Vortex (a period of sustained cold) in 2014, coal plants on the brink of closure were kept online to meet the demand for heat. The commission asked for more time to think it over. Mr Perry grudgingly agreed, setting a new deadline of January 10th.

Subsidy and perfidy

In his proposal, Mr Perry neglected to mention that at several plants massive coal piles froze solid, and in much of the country wind power and energy-efficiency measures helped meet peak demand. And a report from his own department found that the main reason coal-fired plants were being

retired was not subsidies for wind and solar, but “the advantaged economics of natural-gas-fired generation”. If the FERC adopted Mr Perry’s rule, it would amount to one of the biggest government interventions in energy markets for decades, and risks frightening investors by putting a thumb on the scale for coal and introducing policy uncertainty.



Some see a darker motive in Mr Perry’s proposal—and indeed in Mr Trump’s fondness for coal. Nora Brownell, a Republican ex-FERC commissioner appointed by George W. Bush, calls it “cash for cronies”; she believes it was intended to help coal firms and bosses that donated heavily to Mr Trump’s presidential campaign, and to Mr Perry’s before it imploded. Bob Murray, one such boss, implored the White House to use emergency powers to save several coal plants from bankruptcy. Mr Trump declined, but several weeks later Mr Perry released his proposal. The former acting chairman of the FERC does not believe the proposal was intended to benefit any specific company or donors. Ms Brownell says that “as part of a long-term economic strategy [Mr Perry’s proposal] makes literally no sense, no matter what party you are.”

It is hard to think of many more misguided public policies than subsidising coal production. Asking the FERC to favour one fuel over another also tinkers with a market mechanism that has served the country fairly well. In fact, these policies make sense only as a kind of political theatre, according to which both the administration and its many supporters agree to pretend that it is possible to return to some mythical glorious past, when brawny American men, rather than machines or foreigners, smelted steel, mined coal and built things on assembly lines. That world is gone—and even in coal country, some have come to grips with its absence.

The four men in Welch demolishing the old factory (to turn it into an arts centre, no less) are precisely the sort who would once have worked in the mines: healthy, diligent, reliable. All four come from multi-generational mining families. But the industry holds little appeal for them. Gary, the smallest, fears being sent into small, narrow spaces. PJ worries about safety. “It’s not like it was,” says Ramon, the biggest and oldest of the quartet. “Those jobs aren’t coming back, and even if they did, you don’t know how long they’ll stay.”