

Financial Risks of Investments in Coal

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Currently, coal provides 27 percent of our global primary needs and generates 41 percent of the world's electricity. The United States derives 44.5 percent of its electric power from coal and as of 2006, over 50,000 U.S. southerners were employed by the industry. As of 2009, at least 248,684 short tons of coal were consumed by the American South.

Whether by employment or consumption, coal is a major industry that affects all of our southern states — but several questions regarding future investments in the industry lingers. Around the country, plans for 153 new coal plants have been scrapped — and now, a significant portion of the blue-collar workforce that powers the industry is set to retire in the near future — loosening the hold that coal has on the energy industry and leaving it ripe for take over by the natural gas, solar, wind, and energy efficiency industries.

Various other factors, such as capital expenditures from environmental compliance regulations, high construction costs and competition from natural gas providers are also taking a toll on the industry.

In order to better understand the future and feasibility of investing in coal as an energy source, Amy Galland, Ph.D., Research Director at **As You Sow**, set out to conduct a study to address the future of this industry and ultimately came to make the argument that a transition from coal to cleaner energy sources is inevitable, as the financial risks that coal-dependent companies face have become too great. Also contributing to the study is Leslie Lowe, Founder and Managing Director of UCI Environmental Accountability and Thomas Sanzillo, Senior Associate of T.R. Rose Associates.

Because the Center for a Better South is dedicated to supporting a cleaner and greener environment, we felt that this study was a smart share. In our book "Getting Greener: Progressive Environmental Ideas for the American South," we note that Southern states use more electric power per capita than other states due to weather conditions (hot, muggy summers) and possess cheaper rates per kilowatt hour which leads to greater energy consumption. Our study used the state of California as a model to follow in terms of developing effective, comprehensive energy programs and policy. The energy policies in California have already lowered energy usage rates and reduced pollution around the state and this is exactly the type of forward-thinking that is needed in the South.