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Report Urges States to Plan Now for decline in Coal Production

Posted Thursday, January 28, 2010 ; 06:00 AM | [View Comments](#) | [Post Comment](#)

Some say study fails to portray increasing demand for state's energy.

By JIM ROSS

For The State Journal

The time has come for West Virginia and neighboring states to prepare for a significant decrease in coal production and the economic changes that will come with it. That's according to a report issued last week from Downstream Strategies, an environmental consulting firm based in Morgantown.

The report uses projections from the federal government to predict that coal production in the central Appalachian region -- composed of southern West Virginia, western Virginia, eastern Kentucky and eastern Tennessee -- will decrease by half in the next 10 years.

"Coal has contributed significantly to local and state economies in central Appalachia, but production has fallen substantially over the last 12 years as other coal basins and sources of fuel have become more competitive," said lead author Rory McIlmoil in a statement released with the study.

"This trend is expected to continue as mining costs increase due to the depletion of the lowest-cost coal reserves and as new environmental regulations are implemented. As this happens, local and state economies will need new sources of jobs and revenue to replace coal mining jobs and taxes."

The 34-page report says new jobs and tax revenues can be created through development of renewable energy and energy efficiency. Losses from the decline of coal can be recaptured by gains from wind, solar, low-impact hydro and sustainable biomass production and from a strong focus on energy efficiency improvements.

Coal production in the region peaked at 290 million tons in 1997, but it fell by about 20 percent to 235 million tons in 2008, according to the report.

Central Appalachian coal got a boost in the 1990s from the first phase of the Clean Air Act as electric utilities switched to central Appalachian coal to meet smokestack emission standards.

Since then, many coal-fired power plants have installed scrubbers, allowing them to burn coal from other regions, too.

The report suggests that states act now to diversify the economy of the central Appalachian region. Among steps it recommends:

- requiring each state to provide 25 percent of its energy from renewable sources;
- grants, tax credits, clean energy bonds or low-interest loans to support renewable energy development and manufacturing;
- implementing and strengthening net metering laws;
- developing work force programs aimed at providing the skills and knowledge required for renewable energy industries;
- strong incentives for local ownership of energy development.

McIlmoil gave Gov. Joe Manchin a copy of the report this week, and the governor is reviewing it, said Manchin spokesman Matt Turner.

Manchin has said he recognizes West Virginia needs to diversify its economy, but he also recognizes that coal "is going to be our primary source of energy as we transition to our fuels of the future,"

Turner said.

The governor wants investments in technology to enable the state to make that transition, but coal will be the dominant energy source for the next 30 years, Turner said.

Turner pointed to the Bucks for Brains program that is bringing researchers to the state and with them the promise of new homegrown industries.

Steve Roberts, president of the West Virginia Chamber of Commerce, said the report overlooks the fact that all the coal mined in West Virginia is being bought.

"We have a history of seeing reports of the rapid decline in the use of coal, and it simply hasn't happened," he said. "The marketplace has a large and growing appetite for coal and electricity. As the national and international economies recover in the future, there will be a larger need for coal."

Cal Kent, vice president of business and economic research at Marshall University, also voiced that opinion.

Kent said the report is well documented, but it offers little new material. Everyone knows reserves are declining, and central Appalachian coal faces competition from other regions and from alternate energy sources. However, the report ignores the accelerating demand for electricity that will require development of nuclear and alternate sources, Kent said.

"There are not enough alternate sources now to replace coal over the next decade or two," he said.

Everyone recognizes the need to diversify the state economy, but no one has developed a workable strategy that overcomes severe problems in accomplishing that, Kent said.

The state has little developable flat land, particularly in coal-producing counties, he said. Installing the necessary infrastructure and transportation arteries into those areas is expensive and time consuming. The work force is older and less educated than the national average. And the state has a reputation, whether deserved or not, of being an expensive place to do business. That includes the perceived legal environment, he said.

Researchers at Marshall and West Virginia University are working on their own study of coal in the state. It focuses on the industry's economic impact. Research has been completed, and the document is in its final edit, Kent said, with release set for mid-February.

"Most folks will be surprised to find out how really dependent on coal the West Virginia economy is," he said.

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