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In our opinion: Coal port has too many red flags

In our opinion For the Deseret News
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The harsh reality is that demand for coal is flagging in the U.S., and where it is in demand abroad, there is sufficient supply. (Adobe stock photo)

One of the matters headed for a decision in the final hours of the current legislative session is the diversion of $53 million in state impact funds to help build a shipping terminal in California to move Utah coal and other products overseas. The measure has large support in eastern Utah, widespread opposition among environmentalists and should be a matter of concern to anybody who cares about fiscal responsibility in the allocation of state money.

There are concerns over the environmental impact in Oakland neighborhoods through which the coal would run by rail on its way to the port, and there are macro concerns about promoting an energy source viewed as harmful to global climate security. As far as the Legislature should be concerned, the uncertain economics of the plan pose a more prolific worry. The allocation of money is being framed as a loan, but it would be a loan that carries definite risk, and it represents an infusion of public funds into an energy market that should be at least somewhat self-sustaining. If there were bountiful demand for Utah coal in emerging markets overseas, there would presumably be private investment in getting that product to market.

The harsh reality is that demand for coal is flagging in the U.S., and where it is in demand abroad, there is sufficient supply. The concept of a new terminal on the San Francisco Bay was hatched by those distressed by the plight of Utah's once thriving coal industry, including county governments where tax bases are suffering from the shrinking volume of coal production. Their concerns are valid and their efforts to find ways to expand the market are justified, though they cannot be viewed as entrepreneurial.

Between 2008 and 2013, demand for electricity generated from Utah coal dropped 64 percent. Despite the fact that Utah coal burns cleaner and has higher energy output, there is no real hope that domestic demand will rebound, and there is only slightly more hope that foreign demand might make up for those huge declines. The $53 million investment plan carries a whiff of desperation, a kind of Hail Mary pass to try to sustain the livelihood of Utah's coal country for a few decades or so. Whether or not the money is approved, the project will still face several potentially insurmountable hurdles in the form of regulatory requirements and opposition from the potent California environmentalist lobby.

The funding plan is a complicated maneuver involving the swapping of revenues from state sales taxes for federal mineral royalties given to the state's Community Impact Board. The complexity speaks to the need for more study than can be granted in the final days of a legislative session. A worthwhile part of an extended discussion would be debate over whether impact funds may be better spent in helping communities transition out of an economy dominated by coal, rather than using the money to prop up an industry that has little hope of regaining the vitality it once enjoyed.

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