Economics Wins the War on Coal

Natural-resource severance taxes might never have been at the top of any coal company’s wish list, but that didn’t mean that—as with everything in the coal fields—the tax couldn’t be used to the companies’ advantage.

In West Virginia, for example, the tax is divvied up among the Mountain State’s 55 counties as a not-so-subtle reminder to local governments of who their sugar daddy is. Counties receive the revenue whether they produce coal or not, which explains why politicians in jurisdictions that wouldn’t know a lump of coal from a lamppost stroll around with “Friend of Coal” buttons on their lapels.

Today that largesse is dwindling. In Fayette County, coal severance revenues that once contributed $1.2 million to local governments have dropped to $300,000. This comes as the Appalachian coal fields are trying to pick up the pieces from the opioid crisis, brought on in part by the “despair” (to borrow from Anne Case and Angus Deaton) of the formerly coal-fired economy. The sugar daddy is becoming an albatross.

So, while some are weeping for the declining industry and the patently cruel “War on Coal,” let’s take a second to remember that for generations the coal industry has had every legislative and regulatory call go its way, and that the War on Coal is greatly mitigated by coal’s War on Public Health.

While COVID-19 has been grabbing the headlines in 2020, the story with greater long-term significance might just be the de facto death of coal in America. Oh, the irony. While it is Barack Obama who most often stands accused of regicide, it is under the administration of Donald Trump that King Coal has finally met its maker.

It is true that Obama’s renewables subsidies and environmental regulations didn’t help, but Trump’s repeal of those items hasn’t helped either. It is the market, not tax credits for solar panels, that is speaking. An industry that had 90,000 jobs in 2012 today has fewer than 47,000—which, after nearly four years of pro-coal policies, stands at a record low. By 2021, Trump’s first term in office will have presided over more coal-plant closures than Obama’s second.

Coal production last year fell to its lowest annual output since 1978, a year that miners were out on strike. Through the first half of 2020, plans to close 13 coal-fired generators had been announced, continuing a decade-long trend. From October 2018 to October 2019, eight coal companies filed for bankruptcy. Coal now provides a fifth of America’s power, down by half from a decade ago. And there’s no place to go but down.

The health and environmental costs of burning coal went unpaid for decades, so if the government-ordered installation of coal-stack scrubbers is troubling, think of it as back-payment for respiratory and cardiovascular disease, lives lost to mine explosions and failed dams, and devastated landscapes. In Wyoming, the nation’s top coal producer, there is now semi-optimistic talk that the thousands of coal jobs that stand to be lost there can be replaced with thousands of jobs cleaning up the mess that extraction has left behind.

But even if acid rain grew petunias and mercury were as harmless as apple pie, coal would still be choking on the economic realities of today’s energy landscape. It was fracking, not the Environmental Protection Agency, that struck the mortal blow to the heart of coal. All the “easy” coal has been mined, and what’s left can’t compete with a plentiful new wave of natural gas.

And as coal gets more expensive, the sun and wind get ever cheaper. Last year, for the first time, renewables surpassed coal in energy production.

It might be said that the death of coal is greatly exaggerated. Twenty percent of the U.S. energy supply is nothing to sneeze at, and coal is still a major player on the world stage. Renewables, meanwhile, still face storage issues.

But a tipping point seems to have been reached. The environment and the market have had their differences, but on the matter of coal they agree: in an electronic age, it is no longer feasible or desirable to meet our energy needs by burning rocks.