

Social License to Operate in the Coal Industry

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A social license to operation has traditionally focussed on the local communities near a mine or smelter. Local communities still have a major impact on whether an operation is seen as an asset or a liability but for fossil fuels and particularly coal the social license is becoming more leveraged to national public opinion and government energy policies.

In the US the use of thermal coal is declining rapidly. Why is this happening when the industry has the backing of the President? The short answer is cheap natural gas – produced mostly via fracking of shale reserves. Fracking and increased natural gas output was supported by the Obama administration. Other factors are renewable generation mandates, cheaper renewable generation and utilities abandoning coal as simply being too hard. No amount of local support for coal will defeat the economics of cheap gas and cheap, subsidised and popular renewables.

In Germany, a Coal Exit commission, made up of a diverse set of stakeholders, produced a roadmap which has coal being phased out by 2038. This proposal includes a financial support package for regions and workers currently reliant on coal. In contrast to the brutal US process, Germany seems willing to provide support for the coal industry so that it continues to provide its required share of generation while being gradually phased out.

Australia is much more reliant on coal, both for domestic generation and export earnings, than either US or Germany. Our production is also much more heavily skewed to metallurgical coal. Is the decline of coal inevitable in Australia and if so what will the trajectory be like? Will we go down an adversarial route or could there be a negotiated settlement involving compromise and concession from both industry and environmental groups.