

# COAL ASSOCIATION OF CANADA

CAMPAIGNING FOR COAL





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*Ann Marie Hann, president of the Coal Association of Canada, talks about changes in the regulatory environment which could see more coal mines looking to export*

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**D**espite the activities of environmental pressure groups and the growth of alternative energy sources in recent years, coal remains the primary fuel for electricity generation in many parts of the world. Canada is in the privileged position of having almost nine billion tonnes of proven coal reserves and a vast untapped potential of another 193 billion tonnes. Annually, the industry contributes over \$5 billion and 42,000 jobs to Canada's economy.

The organisation responsible for representing the interests of the coal industry in the country is the Coal Association of Canada, whose members are by no means confined to the 23 coal mines currently operating there. "We represent the full spectrum of companies engaged in the coal industry," said CAC president Ann Marie Hann, "everything from exploration, development and production of coal to transportation via the railways, terminals and ports, and other suppliers of goods and services to the industry."

The biggest issue relating to domestic coal production in Canada at the moment, she explained, was new draft legislation which threatens the future of a number of coal fired power stations. While some provinces are fortunate to have alternative energy sources like hydro or nuclear power, three of Canada's ten provinces (Alberta,

Nova Scotia and Saskatchewan) depend on coal for 60 percent or more of their electricity generation. "Notwithstanding that, the federal government seems intent on moving with its climate change agenda," said Hann, "and has identified coal power generation as one of the first issues it wants to tackle. It came out with draft regulations last year which, for all intents and purposes, could shut down several coal fired power plants in Canada, mainly because of the time frame it is suggesting."

The legislation, due to take effect in July, 2015, sets a limit of 45 years for the life of a power plant built before 2015. At the end

of that time (or the end of their current commercial contracts) they will either have to meet stringent emissions levels, convert to natural gas or shut down. Many of Canada's power plants are approaching that age already. "The first plant that would have to come under that test will have to be compliant by 2016/17,"

said Hann. "The only way that coal can comply with the regulations (and it's the same in the US as well) is with carbon capture and storage technology, but right now there is no commercial technology available to make that happen. By default we're really forcing power plants in Canada to convert to natural gas.

"We've been working with the electricity sector trying to explain to the government that the industry supports the objective

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**Canadian coal industry's  
contribution to the  
economy**

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Ann Marie Hann - President of the Coal Association of Canada





Canadian National Railway is one of two national railways in Canada which help get coal to market

to reduce greenhouse gas emissions,” said Hann, “but we have to do this in a little more orderly and systematic fashion.” She points out that there are significant resources left in the ground and that the coal industry generates substantial revenues for the government as well as considerable employment. “Most of this employment is in rural areas where there are really no alternative employment opportunities. So what we’re asking of the government is that, although we are prepared to apply the toughest standards known globally, to go beyond that, to set a standard that is absolutely impossible for the industry to comply with either now or in the near future is really not an ideal position. Right now the whole discussion is environmental, which is obviously a very important aspect, but it has to include economic and social considerations as well.”

There are two forms of coal mined in Canada, namely thermal coal used in power generation and metallurgical coal used in steel-making. ‘Doing Business in Asia’ was a prominent topic at the Coal Association of Canada international conference in Vancouver, British Columbia, held in early June of this year. Speakers included a steel producer from Japan and a buyer of both thermal and metallurgical coal from China.

“Environment Canada’s proposed regulations are going to change the dynamic of the domestic coal industry in North America,” said Hann, “because until now most thermal coal produced in Canada has been used domestically. But now we’re going to see more exporting of Canadian thermal coal.”



Canada’s high quality, premium low-sulfur coal is sought out by consumers around the world

Exporting is the logical alternative, of course, but it’s not always as straightforward as it might appear. The location, nature and scale of thermal coal production in Canada limits the industry’s ability to be agile. “The challenge with the existing mines is that they weren’t established with the idea of exporting, so they have limited access to critical transportation infrastructure, such as rail and ports. Most of these mines are located next to power plants because those are their customers. It might seem like an obvious answer to tell mines to export if they can’t sell their coal locally, but it’s not

going to be economical for some of them to export. As a result, they’ll simply have to shut down.”

There has been investment in infrastructure over the last few years, she said, and governments and the railways and terminals have been increasing capacity, but the market potential for export to Asian countries is such that much more will be needed. “Infrastructure is high on our list of things that we need to address if we are going to capitalise fully on the Asian market potential,” she said. Further investment could be seen as a business opportunity for

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the ports and terminals, of course, “but given the magnitude of the number of dollars involved, they’ll likely need government support as well.”

There is plenty of coal in Canada to satisfy Asian demand, and new mines are also currently being built. In Alberta, for instance, Coalspur Mines Ltd. is constructing what it claims will be the largest thermal mine in Canada when it’s fully up and running in 2015. “They already have their rail and port contracts in place and are now looking to secure their markets,” said Hann. And Asia is ready to do business. After widespread flooding in Australia and Thailand over the past couple of years proved extremely disruptive, China in particular is keen to diversify its sources of supply.

While new legislation is presenting domestic challenges that cannot be met, however, it is something of a double-edged sword. The federal government just introduced measures to streamline the environmental regulatory process as part of its new Jobs, Growth and Long-term Prosperity Act. Where there is duplication or overlap between provincial and federal regulations, for instance, the federal government is now willing to defer authority to the province if it is satisfied

that a particular province can undertake a full and proper assessment.

“Many pieces of environmental legislation and regulations are impacted by the new Act,” said Hann. Environmental assessment, fisheries legislation, and water management are among many elements now rolled in under the umbrella of this new legislation. “The Act will have a significant impact,” said Hann. “It goes so far as to put timelines on decision-making. It’s very positive news.”

There have been many horror stories about the time it takes to get some projects approved, but the new legislation should boost the confidence of mining companies and investors.

“The message we’re trying to get out is that the Canadian coal industry is open for business,” Hann concluded. “The prospects are very bullish over the medium and longer term. We are producing a good quality product, we have governments onside from a regulatory perspective and we have the supporting infrastructure elements being worked on, so this all bodes well for a strong Canadian export coal industry going forward.” **BE**

Coal arrives by train at Westshore Terminal near Vancouver British Columbia, Canada. Efficient rail and port networks are critical to get Canadian coal to Asian markets

For more information about Coal Association of Canada visit:  
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