

Editorial: Coal port looks like a risky venture

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Here's the idea:

Four Utah counties borrow \$53 million from the state to pay a private company in California to give the counties access to a port in Oakland to ship their coal overseas.

And here are the red flags:

- The counties (Carbon, Emery, Sanpete and Sevier) have approval to spend the money, but the actual terms of the contract have not been negotiated. The money would be an upfront payment to help cover the \$275 million costs of building the port, but the counties won't have an ownership interest. The contract would be over 66 years, but it isn't clear what additional costs the counties may have to pay over the life of the contract.
- The counties are borrowing the money from the state's Permanent Community Impact Fund with the intent to pay it back with interest over the next 30 years, but the state assumes the risk. If the project fails, it won't be just those four counties covering the loss, although they would be the primary benefactors if it succeeds.
- Permanent Community Impact Fund money, which comes from mineral royalties, is intended to mitigate the impacts of mineral leasing (including coal) on the local counties. Traditionally, these funds are spent on roads, water and sewer treatment and other infrastructure needed to address the impact from mining. In this case, the funds would be used to create more impact instead of mitigate it, and the money would be spent out of state, which hasn't happened before.
- The promoters say the port can be used to bring other Utah commodities to world markets – including potash and alfalfa – but the port's developer says the port will be built to be commodity-specific. If Utah's intent is to use it to move coal, it isn't clear how that would help move other commodities without even more investment.
- The city of Oakland, which owns the port's land, doesn't want Utah's coal. There is some question as to whether the city can stop it, but the mayor of Oakland has joined environmental groups in opposing the transportation of coal and crude oil through the city, and they have pledged to use whatever political power they have to stop it.
- The market for coal over the next 66 years is tough to predict, but it doesn't look rosy. This project exists because the domestic demand for coal is dropping with little expectation of returning. Thanks to the large increase in cleaner-burning natural gas reserves, domestic utilities are converting or closing their coal-fired plants. This project is a bet on developing nations not moving to cleaner fuels before 2083.

The four counties sit on millions of tons of coal, and they face the real possibility that they cannot find a market for much of it. But that is an argument for starting now to develop more diversified economies rather than doubling down with a risky investment.

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