

Cover: Coal works by McIntyre Mines on the Smokey River, Grand Cache, Alberta.

Canada Today



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Coal makes a comeback

By Marsha Norford

Coal, as an antiquated energy source, has suddenly had a new lease on life. As Canada searches for alternatives to oil and gas in its quest for energy self-sufficiency, its abundant reserves of coal are being re-examined. The biggest reason for the renewed interest in coal comes from its need as an energy source to generate electricity.

The resurgence in coal demand is of recent date. Escalating market requirements for coal have placed considerable strain on an industry that is only now recovering from several decades of depression.

Since the beginning of its recovery in the late 1960's, the industry has faced the necessity of building itself from a depressing image of dismal mining towns, pit closures and an apparent future of inexorable decline.

Coal production has continued to grow since the industry's initial recovery. It has soared to more than 31 m. tons a year from as low as 10 m. tons in 1969. The value of coal output in 1977 was C\$671 m. This represents an increase in value of 1,077% since 1967. By 1990 annual levels of 60 m. to 70 m. tons are forecast. The reasons for coal's comeback are shifting, however, from foreign demand for metallurgical coal to domestic demand for thermal coal.

The differences between metallurgical (coking coal) and thermal coal is apparent in their prices. Metallurgical coal is greatly superior in quality and heating value and is the preferred coal for the production of steel. Thermal coal is cheaper to produce as well as being more suitable for "soft" coal use. Soft coal is used primarily as a cheaper heating fuel for power generation. It is preferred for the conversion of heat to electricity. As a result, interest in soft coal deposits for thermal use has created an increase in their production and consumption.

Escalating prices for oil and gas are proving to be too costly for electric utilities which require energy in order to generate electricity. As a result, many electrical producers are finding thermal coal a less expensive fuel for thermal plants.

The power companies in Saskatchewan, Alberta, Ontario, New Brunswick and Nova Scotia have all turned to coal as a viable alternative to oil and gas.

Exports of the higher priced metallurgical coal to steel mills, particularly in Japan, have been a big incentive for new mines in Western Canada. Since 1970, the price of

metallurgical coal has risen from C\$12 a ton to about C\$55 a ton for recent shipments.

However, due to a world-wide slump in the steel industry, the demand for metallurgical coal has decreased. Because of the dependency of small Western Alberta towns upon the renewal of their coal contracts with nations such as Japan, the future of these towns is somewhat precarious. Although these contracts have brought renewed prosperity to many formerly depressed areas such as Coleman and Grande Cache, Alberta, their continued existence is tied to foreign demands for Canadian metallurgical coal. If Japan's steel industry continues its slump, the inevitable result will be a lack of contracts and a loss of prosperity for these areas.

Although domestic producers could realistically provide all of Canada's coal needs, coal exports still have not caught up with coal imports.

During 1976, Canada's total coal consumption was 28.2 m. tons. Of this amount, 14.6 m. tons were imports and 11.7 m. tons were exports. Legislative and financial incentives will be necessary in order for Canada to meet her domestic coal requirements. At present, most of Canada's coal imports go to feed Ontario's thermal power plants and steel mills.

Canada's coal reserves are sufficient to serve Canada's domestic needs as well as those of other countries for centuries to come. The Federal Government has estimated Canada's reserves of recoverable coking and thermal coal at 5.9 billion tons (717 m. tons coking and 5.2 bn. tons thermal). However, world coal resources are estimated at 11,000 bn. tons of which an estimated 700 bn. tons are considered economically recoverable.

Estimated resources

Projected economically recoverable reserves represent more than five times as much energy as economically recoverable oil reserves. Canada's coal resources are estimated at as much as 250 bn. tons.

Canada's production of coal on a world-wide scale is quite small. Its production of approximately 31 m. tons compares with a world-wide production of about 3.3 bn. tons.

There are about 30 producers of coal in Canada. Annual production varies widely throughout the country. The Western provinces of Saskatchewan, Alberta and