The Unintended Consequences of Cutting Out Coal

Jeff Brown (/contributors/jeff-brown) | October 29, 2018



Source: Jeff Wallace/Flickr (https://librarianbyday.net/2009/09/28/how-to-attribute-a-creative-commons-photo-from-flickr/)

Takeaway: *The good intentions of two Alberta governments leave coal miners in a deep hole.*

When asked to sum up the dilemma faced by unionized workers at the Highvale coal mine, Roy Milne will tell a story from his own experience:

“One of the first things I recall being taught in health and safety training,” he recalls, “was that if you have a hazard or a problem, and you try and fix it, don’t create another problem or another hazard by trying to fix the first one.”

“Unintended consequences,” he said.

Email Newsletter

Subscribe to our free newsletter now - The Best of AlbertaVenture.

Enter your email address... Subscribe

He’s not talking about serendipitous unintended consequences – the kind that transformed a coal-and-union skeptic like himself into the president of Local 1595 of the United Steelworkers Union (http://uswlocal1595.com/), responsible for negotiating the welfare of hundreds of miners. He’s talking about the unintended consequences of well-intentioned policies, enacted by not one, but two, Alberta governments, which have left his membership justifiably anxious about their futures.

A comfortable living, a valuable lesson and a big responsibility

After over three decades at the mine, Milne knows what the mine offers its workers.

His road to coal mining was literally fraught with wrong turns. Fresh out of high school, the Armed Forces Reserve and road construction, he hoped “following the smokestacks” might land him temporary work at the Keephills power plant west of Edmonton – just until he could land another job operating heavy equipment. Instead, he followed the wrong smokestacks, arrived at a coal mine instead of a power plant, and found work in an industry he once considered “dirty and evil.”

He hadn't been any fonder of unions than he was of coal mining. Organized labour, he believed then, was a haven for slackers. But when he started work at the Highvale mine on March 3, 1983, union membership was part of the deal. The life of a unionized coal miner would grow on him, though. The operation stopped seeming big and vague once Milne could perceive his own contribution to it.

Meanwhile, the union provided him with a welding apprenticeship, put him back on

heavy equipment and eventually netted him a comfortable position.

“I work in a control facility now where I control all the crushing of the coal, with a number of computers and a roley chair,” Milne says, I sit in at a computer screen. That’s what my life is.”

The union also got Milne involved in health and safety and trained him in mine rescue, where he learned his indelible lesson about helping without hindering. He became so outspoken on this and other matters that the union finally challenged him to “put up or shut up.” Milne put up, serving on the health and safety committee, becoming a trustee for one year then the treasurer for a decade-and-a-half more. He served another six months as secretary before a change of offices landed him in the president’s chair. After completing that two-year term, he ran unopposed to serve three more years.

“I like to say that I have the support of 100 per cent of my membership because nobody voted against me,” he jokes. Potential opponents may have shied away from difficult times ahead for their membership, not that their working life had ever been a walk in the park.

The Highvale Mine

“You worked at a dirty, 24-hour-a-day and seven-days-a-week job,” Milne recalls. "Night shifts, weekends and holidays. The trade-off was a decent wage, benefits and employment that was going to last.” The mine is located near Wabamun and less than an hour's drive from Edmonton, so the work is also close to home – a benefit for those with families, although family time isn’t as easy to schedule off the nine-to-five clock.



Transalta's Highvale Mine is located 70 km west of Edmonton. Photo: Flickr/David Dodge, Green Energy Futures (https://www.flickr.com/photos/greenenergyfutures/23095666646/in/photolist-YmPmUA-a4ivM1-YkdAyE-j8fA4k-dnBY2z-cMTdDE-8U8Qp7-eqs1N3-dpTY7g-dPFFkw-jQmstU-8VKFWW-jbQYmH-7BJNUS-8V8WLD-8JoyHx-BbTk45-AhhZRV)

The Highvale mine's unionized workforce, peaking at over 650 members, includes single parents and parents putting kids through school. Most work four straight 12-hour day or night shifts, followed by four days off and a four-day switch to the opposite shift. They run the draglines and other heavy equipment, haul coal and overburden in huge trucks, crush and convey coal in the tipples. Many serve as mechanics, labourers, electricians, welders, warehouse staff and in various other roles.

With their help, the Highvale mine has spread out over 12,600 acres since it opened in 1970. Its eight pits (with a ninth opening now) supply fuel for two of six generating units still operating in the Sundance plant, two more in the Keephills plant and a single generating unit inside a third building known as Keephills 3 or K3.

Those generating units are at the heart of Local 1595's problems.

Unintended Consequence No.1: Energy Market Minefield

Back at the turn of the millennium, Ralph Klein's Conservative government made generating units the focus of a new plan to make Alberta's energy market more

competitive while lowering prices for consumers. Initially, the power producers – those who owned and ran the units - had sold energy directly to end-users, but with only a handful of such companies, there was little competition.

The Alberta government's solution was to create a new tier of actors between the producers and consumers. Now the producers would sell the output of their generating units to re-sellers via 20-year contracts known as Power Purchase Arrangements (PPAs). These contracts, it was believed, would provide power purchasers with decades of financial security. Meanwhile, the re-sellers would come in numbers significant enough to ensure healthy competition, which would drive down energy prices for end users.

That didn't happen. According to Milne, the Conservatives failed to calculate the necessary pocket depth required for players to buy in – as evidenced by the disappointing results of the first PPA auctions, which began in August 2000.

"So there were very few bidders in the market, and the initial auctions held didn't sell for anywhere near what the government expected them to," he says. A February 2001 Globe and Mail article took it one step further, reporting,"the government set no goal for how much it hoped to fetch for the public treasury." (https://www.theglobeandmail.com/report-on-business/rob-magazine/powertrip/article25442551/)

Consumer and industry groups calculated the first auctions would need to generate at least $3 billion and bring seven to 10 new competitors to the market, but only seven put in bids, with only four purchasing PPAs. The existing power structure hardly changed and only two-thirds of the power supply sold – for what the Globe and Mail deemed "rock-bottom prices: $1.1 billion."

According to journalist Janet French, that wasn't the end of the PPA problems. Demand outstripped supply. There were blackouts in Calgary and Edmonton, followed by investigations into price gouging. Soon the free-market-friendly provincial government was forced to impose its own cap on escalating power prices.

"More than one company received a fine or a negotiated settlement as a fine for turning off units, as an example, and driving up the secondary market in non-power purchase arrangement power prices," Milne says. Producers who couldn't supply required energy were obliged to buy it from competitors, who sold it for what the market would bear. This factor, Milne notes, caused volatility and high prices for Alberta consumers, but he sees it as another unintended consequence of an initiative that did bear some fruit.

He credits PPAs with inducing industry to build generation units along with businesses. It only made sense for companies to ensure their electricity supply by

putting up generating units, and excesses could be sold back into the market.

According to Janet French, rising energy prices crested at more than 15 cents per kilowatt-hour in 2012, and have come down steadily since. For Alberta voters, it was too little too late. Three years later, four decades of Conservative rule crumbled and the NDP formed a majority government intent on addressing Alberta's environmental issues. In its zeal, Milne says, the new government would overlook existing PPA obligations and inadvertently deal a heavy blow to Local 1595.

Unintended Consequence No.2: One door opens. Another slams shut.

The NDP's Action Plan on Climate Change coincided with a period when energy supply exceeded consumer demand. Re-sellers paying more for their PPAs than they could recoup sought a way out, which, Milne says, the provincial government provided.

"It was during one of those phases when you lose lots of money that the provincial government brought in their climate change levy, which was considered a breach of the power purchase arrangement contract because there was a change in government regulation," he explains. This allowed the re-sellers to dump their arrangements back onto the province, which paid the original producers their due through a taxpayer-funded balancing pool. "Basically subsidizing the electricity prices in the province – to the tune of tens of millions of dollars," Milne says.

Some power producers, he says, "had assets that were old, that were environmentally looked down upon. They made a very financially prudent decision to take the money they were receiving and speed up the process of getting off the coal."

"They were also to make a deal with the federal government to extend the licensing because, under the federal regulations, the coal-fired power plants had 35-year terms to run. If they went off the coal early, and they switched to natural gas, they would get a 10-year extension from the federal environment side on running these plants. That came into effect, and my particular employer decided, "Why wait until 2030? Let's switch to gas right away."

Pity the miner?

"So the unintended consequence of helping save the planet is 600-plus of my members losing jobs," Milne says. The only question is when it will happen, and so far his anxious membership has no firm date to wrap their future plans around.

"It went from 2051 to 2030, which was when it was going to close, to 2025 to 2023 to, 'Trust us, sometime in the next few years, we'll let you know,'" Milne says.

The official off-coal date may not be set, but rounds of layoffs have already been scheduled, forcing workers to weigh their options quickly. Very few workers are close to 65 years of age and full retirement. Slightly more, including Milne, could take a lesser early retirement package at 60. Milne says the youngest employees, with decades of working life ahead of them, hope only to acquire the skills that will help them find less tentative employment somewhere else.

Those in the middle years of their employment aren't waiting to go somewhere else. They have no interest in forsaking their acquired skills in the hope that some new industry will deign to let them start all over again. Many are eyeing the unthreatened mines of southern B.C. or promising projects near Fort McMurray. Others have opted to take an early layoff, hoping to top off 45 weeks of employment insurance with government "Bridge to Employment" program supplements, which will bring their earnings up to 75 per cent of their mine wages. The program also offers retraining vouchers, worth up to $12,000, which Milne estimates will cover tuition for a one-year program.

"You better hope it's a pretty good one and that you'll get a job coming out," he says. He's skeptical about new sectors like renewable energy matching fossil-fuel wages. That's one reason most of Local 1595 members are still sitting tight, but the biggest reason is families.

"They put up with less-than-ideal conditions and not-top dollars because you were home on a regular basis," Milne says. They're able to hang on a while longer, thanks to the large number of co-workers who have already left. Local 1595 membership has dropped from 650 to around 475. That dramatic attrition rate prompted their employer to cancel an 80-employee layoff, scheduled for October 1. However, another layoff planned for February 2019 is expected to eliminate 140 jobs.

A lesson worth sharing

"Not exactly what was envisioned with the Just Transition (https://www.canada.ca/en/environment-climate-change/news/2018/02/just_transition_taskforce.html) when the government says, 'We're going to save the planet by shutting down this industry, and you guys are going to have to sacrifice your jobs and your incomes and your careers for the greater good," Milne observes. "With the greater good, the amount that comes isn't quite comparable to what an MP gets when they get thrown out of office or when they choose not to run again. One of the harder observations."

Milne doesn't come by his observations lightly. He's had to absorb and organize scores of intricate details in his fight for the rights of his membership. As a result, he begs to differ with many components of the province's action plan – from the

above-described loophole to the distribution of compensation for municipalities to the rush to bring down Alberta's carbon emissions.

But that doesn't mean he's against what the government's trying to accomplish. He's paid strict attention to the Climate Change Conference in Bonn, Germany, and the federal government's subsequent promise to revisit its "Just Transition" policy. He'll keep a sharp eye out for any missteps made in pursuing the stated aim of minimizing "the impact on workers and communities, in the transition to a low-carbon economy."

As he learned from his mine rescue training, good intentions can pose their own dangers if they're not well informed.

"One of the things taught there was don't run into a situation. Stop, take a look, because what you see might not be everything that's there. And you don't want to go running in to save someone, and hurt yourself or your team."

If governments take that lesson going forward, some good may yet come from the uncertain fate of the Highvale Mine.