

'We've been forced to put the prices up — we're tax collectors now

Coal prices

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set to

soar

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30%

Black gold: Hokonui Haulage dispatch supervisor Kevin Graham is waiting for customers to comment on the hefty coal price rises made necessary by the Emissions Trading Scheme, which will be implemented on July 1. PHOTO: MARGARET PHILLIPS

By MARGARET PHILLIPS
HEFTY increases in coal prices forced upon the industry by the introduction of the Emissions Trading Scheme (ETS) are set to push up the cost of living for Eastern Southlanders.

Two of the South's major coal miners, Solid Energy and Kai Point Coal, are both raising the price of coal by about 30%, depending on the grade of coal.

Solid Energy has coal mines at Waimumu and Kai Point Coal mines at Kaitangata. Both companies sell coal either directly or through outlets in Eastern Southland.

From July 1 this year a carbon tax would be implemented which would result in Kai Point Coal raising its prices an additional \$26 per tonne, depending on the grade of coal, Kai Point Coal general manager Chris O'Leary said.

Commercial customers had been advised of the price rises. About 80% of the company's customers were commercial, he said.

"We've been forced to put the prices up — we're tax collectors now," Mr O'Leary said.

The company was expecting a "bit of a backlash" from customers when they started paying extra for coal.

Several customers belonged to industry groups which had lobbied the Government to change its approach to the ETS, he said.

In some cases, customers would be paying 100% more per tonne for coal. Among those customers would be fertiliser

companies, which used fine coal to dry products such as lime, Mr O'Leary said.

Fine coal, which was a by-product from the production of other coal grades, was traditionally less expensive, selling for \$25 a tonne but, with the carbon tax added to the price, it would cost an extra \$22.51 a tonne plus GST, Mr O'Leary said.

So that cost would be passed on to the agricultural sector, he said.

Mr O'Leary was critical of the New Zealand Government for going ahead with the implementation of the ETS, especially in light of the Australian Government having postponed its planned implementation.

Mr O'Leary said there would be a flow-on effect that would accompany the coal-price rise as other costs rose to compensate.

In addition to the increased cost of coal, which would greatly affect industries as well as household users, the ETS would also push up the price of electricity and fuel, further adding to the cost of living, he said.

Solid Energy communications manager Sarona Iosefa said under the ETS legislation (the Climate Change Response Amendment Act 2009), the state-owned enterprise was affected just as much as other coal miners.

"We had to start counting our carbon emissions from January 1 and must start paying the Government carbon charges

from July 1, 2010, every calendar year from now on.

"This means we have to give the Government one emission unit, or the cash equivalent, for each tonne of CO₂ generated by the combustion of the coal we sell," Ms Iosefa said.

The present equivalent cost was \$25 per tonne of CO₂. The cost had been reduced to half that for the first two and a-half years, until December 2012, or the equivalent of one emission unit for every two tonnes of CO₂.

In addition, there would be a charge on fugitive emissions of methane — a gas generated by the activities involved in actually mining the coal, she said.

Starting on July 1, the additional costs would be added to the price of coal sold to customers by Solid Energy, she said.

Gore-based Hokonui Haulage manager Peter MacKay said the change in legislation would affect the price of coal hugely.

As well as the coal-price increase, the forecast fuel-price increase would strongly affect the business, making it necessary to pass on cost increases to customers, Mr MacKay said.

"We'll try to absorb as much as we can," Mr MacKay said.

He described the implementation of the legislation as being "absolutely crazy".

Hokonui Haulage dispatch supervisor Kevin Graham expected "a fair bit" of comment from customers the first time they bought coal after the price rise.