theguardian

Deal of the century: buyout the US coal industry for $50bn

By Gil Friend and Felix Kramer **published March 11, 2014**
http://www.theguardian.com/sustainable-business/us-coal-industry-buyout

Time to hang up the boots. It will cost just $50bn to buy up and shut down all private and public coal companies in the US.

Would you make a one time $50 (£31) investment to save $100-500 each year? Sound good? Add nine zeros to each of those numbers. In other words, invest $50bn once over the next decade, and generate $100-$500bn in benefits every year.

That's the surprisingly low price to buy up and shut down all the private and public coal companies in the US, breaking the centuries-old grip of an obsolete, destructive technology that threatens our present and our future. It's a compelling high-return opportunity available now in the US if some farsighted investors merge purpose and private equity in a new way.

How would it work? The deal would phase out coal companies over 10 years, close and clean up the mines, write down the assets, retrain and re-employ some 87,000 workers, and create job opportunities and prosperity for coal-based communities. If at the same time the US accelerates expansion of renewable energy sources and transmission facilities, this could be accomplished with no interruption to electricity supplies, adding only about a penny or two to each kilowatt-hour on electricity bills.

This one-time transaction would generate multiple benefits. It would eliminate US's largest single source of greenhouse gases: carbon dioxide from coal plants. What's it worth to cut out at least one quarter of US carbon emissions? To assign a dollar value, we'd need to put a price on carbon.

Even without that number, though, we can already tally the direct health and environmental benefits of ending coal: the sulphur dioxide that causes acid rain, the nitrogen oxide that becomes smog, the particulates that provoke asthma, and the toxins like mercury, lead and cadmium that harm human brains, animals and fish. Estimates range from $100bn a year in a 2010 National Academy of Sciences report to $345bn a year in a 2011 Harvard Medical School study.

This buyout could come at a deep discount, rescuing the beleaguered owners, shareholders, and workforce of a dead-end industry. Coal has a dark future, already foreshadowed in declining stock market prices and abandoned plans for new construction. It faces competition from natural gas and renewables. And public opposition has led to hundreds of coal plants closed or blocked by the Sierra Club and its allies.

There's an inspiring precedent: When slavery was abolished in Britain's colonies, 200 years ago, the British government paid out 40% of its annual budget to compensate some 3,000 slave-owning families for the loss of their 'property'. [This paragraph of our submission was edited out by the Guardian.]

The industry's market valuations could plunge further as it faces more taxation or regulation. As what's now being called a "carbon bubble" deflates, insurance companies, markets, and elected officials may all conclude that, of all fossil fuels, coal's deadly poisons put our world most at risk. Institutional investors that don't recognise these risks are already failing in their fiduciary duty to shareholders. And coal company directors and executives may come to see a buyout as the best way to protect shareholder value.

Who can make it happen? In normal times, we'd expect government to take the lead, since everyone, not just investors, would enjoy the savings by avoiding damaging coal emissions. But that's not on the cards right now, neither from Congress nor the White House. Can we figure out a way to inspire third parties to remove what economists call "negative externalities?"

What if a few shrewd and enlightened investors step up to "do the right thing" – through the marketplace? Leadership could come from the 114 billionaire families who, encouraged by Bill Gates and Warren Buffet, have already committed through the Giving Pledge to donate half of their assets to charity. What better investment could they make to protect their families, future generations, and their assets? They would be recognised forever as pioneers in responding to climate change.

Savvy climate hawks like Michael Bloomberg, Richard Branson, John Doerr, Jeremy Grantham, and Tom Steyer know all about buyouts. These financial superstars could figure out the best way to structure a Coal Buyout Fund – maybe even at a profit. Private equity firms could get management fees for the deals. A crowdsourced component could become the biggest kickstarter ever.

A coal industry buyout could then become the inspiring foundation for a global financial strategy to get us off fossil fuels, head off the worst consequences of climate change, and rewrite our future.

Gil Friend is founder and former CEO of Natural Logic, Inc., author of The Truth About Green Business and is the chief sustainability officer of the City of Palo Alto, CA.

Felix Kramer founded The California Cars Initiative in 2002, he spent a decade in the campaign to bring plug-in hybrid cars like the Chevy Volt to market.

For more information: at Felix's website, Beyond Cassandra, you'll find links to websites that picked up on the discussion, including some with many comments, and notes and news about advancing the concept.

Felix Kramer fkramer@calcars.org 650.520.555
Gil Friend gfriend@natlogic.com 510.435.6346