# COAL MINING, ECONOMY, AND ENVIRONMENT

*Research impact on policy design and implementation*

## The Situation:

The coal industries operate in almost all areas of South Kalimantan Province, Indonesia. There are 12 large-scale coal industries and 54 small-scale coal ones. Value-added generated from the coal industry reached IDR 2,966,456 million in 2004. This was the third largest contribution (11.4%) in South Kalimantan Province. Large-scale coal mining produced almost twice the value-added of small-scale mining. However, in terms of value-added-output ratio, the latter had a higher value.

The total output of the South Kalimantan Province economy stood at IDR 69,125,971 million (2004). The highest contribution came from manufacturing. The agricultural sector stood at second place, followed by large-scale coal mining. However, if the large-scale and small-scale coal mining outputs were combined, their share in output total would be the highest.

Investment in the coal industry in the region was 30.3%. Large-scale coal mining absorbed 24.2% of this and small-scale one, 6.1%. Investment in industry was greater, but industry is a group of many sub-sectors.

Coal mining is more profitable for non-farmer households and tends to generate more profit for those in the higher income category. There are very significant transactions between the coal mining industry and outer regions. Both large-scale and small-scale coal miners sell more than 70% of their products to other regions.

## *The Problems:*

***Coal mining is a profitable business. It creates employment, generates value-added, and improves the foreign investment of a country or region. However, coal mining has its disadvantages including negative externalities.***

***Coal is a dirty business for locals, with problems commonly including contamination of water, coal-dust permeating the air and coating everything inside and outside houses, and health problems. Coal mining also causes floods. Many mining areas are left without rehabilitation. As a consequence, land and ecosystems are damaged.***

***Moreover, coal industry uses public road. This contributes to an increase in the incidence of road accidents and road damage. These heavy vehicles are also nuisance to the communities living along the roads they use in terms of the dust and noise they create.***

## ENVIRONMENTAL IMPACTS

## *The Research:*

***EEPSEA has provided Research grant no 003591-086 to study "The Impact of Coal Mining on the Economy and Environment of South Kalimantan Province, Indonesia" duration 1 May 2006 – 1 September 2007. The general objective of the research is to analyze the impact of the coal mining industry on the economy and environment of South Kalimantan Province, Indonesia.***

## *The Recommendation:*

Redistributing royalties and revenues to lower income families is the best alternative policy in terms of economic indicators namely, income distribution, value-added generation, employment, and output. However, in terms of environmental impacts, stricter regulation of coal miners1 is the best. This indicates that the policy-makers of South Kalimantan Province need to consider reducing the level of coal exploitation. This has to be followed by investment policies to direct investment towards the agricultural sector where employment is the highest.

## *The Impacts on Policy:*

***The Government has imposed regulation to prevent coal transportation from using public road. This policy has significantly improved amenity for the community, reduce dust and noise pollution to the communities living along the roads, reduce health problems caused by the air pollution and water contamination.***

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