

Energy & Security Act of 2009

EXPORT \$2 FUEL; IMPORT \$10 FUEL

We all snickered when California enacted the first de facto governmental moratorium on new coal plants in the U.S. You remember . . . the law was signed in September 2006, and took effect for investor-owned utilities in January 2007. Regulators implementing the law set the standard for greenhouse gas emissions at 1,100 pounds of CO₂ per MWh, a value equal to the emissions of a combined-cycle natural gas plant. The California Energy Commission then barred municipal utilities from signing new supply contracts with coal-fired plants. Congressmen Waxman and Markey, principal authors of the American Energy & Security Act of 2009 (H.R. 2454), have effectively exported this policy to the rest of the U.S.

Vested interests

H.R. 2454 requires that new coal-fired power plants permitted between 2009 and 2020 capture 50% of the CO₂ emitted, increasing to 65% capture thereafter. Furthermore, any Carbon Capture & Sequestration (CCS) language is always paired with coal-fired power plants. There is never any pairing with NGCC power plants. This is no accident.

Simply stated, these capture levels allow Natural Gas Combined Cycle (NGCC) power plants to be permitted without CCS, a huge loophole around the entire CCS issue, and removes any real pressure on the electric utility to learn how to do CCS. This bill and the de facto NGCC exemption within it, subsidizes natural gas interests and will serve to maintain high natural gas price levels and consumption. With these provisions, the proposed bill will handicap the U.S. industry with uncompetitive energy costs and disadvantage attempts to recover its industrial manufacture base and the jobs that go with it.

The Congressmen were not alone in this pursuit. Here's the logic.

Congressmen Waxman and Markey are both "coasters," not the singers from the "50s," but west and east "coasters." The fuel for their power and that of their constituency is primarily natural gas, so this H.R. 2454 effectively exempts them and their constituency from any near-term impact. There is a huge long-term impact on the cost of electricity for sure, but in the House of Representatives two-year elec-

tion cycle, that does not count for much.

The Sierra Club et al, have so demonized "dirty coal" and, as I have found out on a recent Calgary visit, "dirty oil sands" that, at a minimum, they are guilty of a gross misrepresentation of the facts and worse, intentionally misleading their audience. These folks have chosen to ignore the fact that natural gas is a fossil fuel and emits CO₂ in prodigious amounts, preferring to parlay the lower uncontrolled SO_x, NO_x, Mercury and particulate emissions of natural gas-fired power plants into the popular belief that this somehow includes CO₂.

Numbers help. The minimum Environmental Protection Agency standard for reporting CO₂ emissions is 25,000 MTPY. A 630 MW NGCC plant emits 1,665,000 MTPY. Why does this level of 65 times the minimum reporting standard warrant an exemption?

The underlying premise of the Sierra Club et al is that if the U.S. stops burning coal; she will eventually stop mining it. What really happens, however, is that the U.S. exports that coal at \$2.00 per mmBtu to provide a cost-effective energy source for developing nations, in effect subsidizing the continued erosion of the U.S. industrial base.

There is also a consortium of industry interests that portrays itself as representing industrial interests, but seem more a front to promote gas interests specific to their membership. But I do not see them arguing for protecting jobs in this country through competitive energy costs.

What one does hear is that we have a wealth of offshore reserves waiting to be tapped and huge shale gas reserves waiting to support the expected demand triggered by wholesale use of natural gas for power generation. What you don't hear is that these reserves are expensive. Potential investors tell me that shale gas deposits play out in about 18 months and have to be "refracted" and, that it takes \$8.00 - \$10.00 per mmBtu gas to sustain such an effort. Gas prices are headed to this level.

Then, there are the electric utilities.

Simply stated, the electric utilities have their own interest at heart and should. They would rather not have to mess with CCS unless mandated to do so. The NGCC exemption is a "business as usual" approach pretending to be otherwise.

A utility can build a 630 MW NGCC

plant in three years without much organized resistance and it can be argued that this size better matches the load growth. The efficiency is high and the near term impact on electric rates with \$4.00 gas is affordable.

All true, but more importantly, opting for a NGCC reduces risk for the utility. It takes eight years to construct a coal-fired power plant and there are constant and continuous legal challenges throughout the process. Why risk the public wrath and continuous legal challenges associated with building a coal plant?

The answer, of course, is fuel cost and fuel cost volatility, and the economic impact that high energy costs will ultimately have on U.S. industrial competitiveness.

It takes a balanced perspective to opt for a new coal-fired power plant, a perspective clearly lacking in each of these advocacy groups. All of these groups are guilty of one-dimensional thinking because that is what suits their immediate and their financial interests. There is no balance to their position or approach and there never will be.

The irony of this bill is in its title "American Energy & Security Act of 2009." The bill seems to ignore the need for economic and energy security even in these most difficult of times when the need seems almost too obvious.

At the end of the day, this bill, however well intentioned at inception, is now designed to keep U.S. natural gas prices high, whether by intent or by default, because high gas prices further the respective interests of those seeking to influence the outcome.

In addition, and in case it is not obvious, most electric companies do get fuel adjustment surcharges, so there is really no concern over fuel cost. Oh, also, many of the electric utilities do own the local gas company. That's what "XYZ Electric & Gas" means. **T**

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