



By Don Horne

Just when the coal lobby thought it couldn't get any worse, it did.

New coal generation plant construction took a double hit when the U.S. Department of Agriculture's Rural Utilities Service (RUS) announced it was suspending its low-cost loan program for financing new coal-fired generation facilities.

This comes on top of exploding construction costs that have been fueled by a global building boom, pricing the normally inexpensive plants out of the reach of most rural electric utilities.

One rural utility in Missouri has canceled its proposed power plant in the wake of the RUS announcement. Another coalition of utilities, the Southern Montana Electric Generation & Transmission Cooperative (SME) is scrambling to raise money from private lenders for its generating station.

The numbers against coal generation are piling up.

Since 2006, more than 30 coal-fired facility projects have been canceled due to political and economic pressures. The climate of regulatory uncertainty and rapidly rising construction costs has made utilities shy away from new coal generation.

Despite all of this, more than 25 coal plants are in various stages of construction across the United States. But that number pales before the some 30 coal-fired plants that have been built each year in China since 2005.

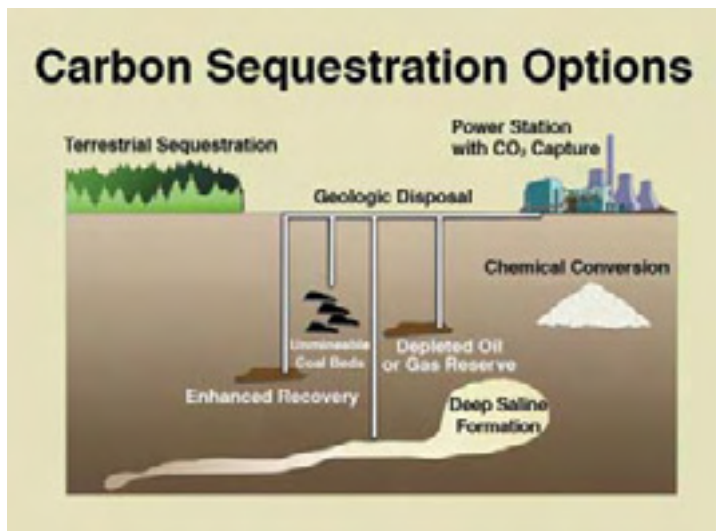
It is that massive increase in construction around the world that has pushed construction costs through the roof, creating a dearth of materials, labor and planners for projects back home.

The increase in costs is considerable:

- the 250-megawatt Highwood plant was \$450 million; now it is \$790 million;

- a 1,000-megawatt AMP Ohio facility was \$1.2 billion; now it's \$3.3 billion.

And the numbers do not even take into account the expected taxes on the greenhouse gas emissions the coal plants will produce.



For government budget planners, it makes no sense to subsidize the very plants that they will be taxing.

But if the government took a different view of how the money is spent, it could make a lot of sense to reinstate the loan program.

Although clean coal has been dismissed as window dressing by the environmental lobby, a clean coal plant does produce considerably fewer emissions than an older plant.

And a plant that sequesters its emissions introduces no pollutants into the atmosphere at all. And it is technology like this that should be rewarded with federal loans and subsidies.

To create an analogy with the auto industry, there is a progression from combustion engines to all-electric, zero emission vehicles. Currently there are no serious plans on the books to penalize internal combustion engines overnight in favor of electric vehicles.

No. Instead hybrid vehicles are being slowly introduced, allowing for an

infrastructure to be put in place to accommodate electric vehicles 10 to 20 years from now.

New fuels, like ethanol, have been developed to help vehicles burn cleaner – but that has been recognized as a short-term solution to a long-term problem. And that fact hasn't dampened the millions and billions being poured into ethanol development and subsidization (Not to mention the massive harmful environmental side effects of harvesting crops to be converted into ethanol.).

Why not show the same largesse to clean coal as is doled out to ethanol? Rewarding wind and solar technologies with tax breaks and incentives is necessary and should be encouraged, as any nascent projects need a helping hand to get started until the economies of scale can be created to help them become viable.

But penalizing coal is shortsighted.

Yes, coal plant emissions are harmful to the environment. But shouldn't we be rewarding the development of cleaner coal now, at least until future wind and solar energy storage technologies are able to carry a substantial load on the grid?

The alternative is what many rural utilities are now facing – a power crisis.

The utilities are trying to replace aging generation and meet rising demand with new construction. If they cannot do this, the only option is to purchase more expensive power on the open market.

Certainly improved demand-management systems and more efficient distribution networks will forestall the need for new generation, but that is only a stop-gap measure.

And rural utilities need cost-effective solutions now.

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