NATIONAL COAL COUNCIL NEWS NOTES

Ph: (703) 527-1191
Fx: (703) 527-1195
www.nationalcoalcouncil.org

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Thoughts from the end of the hall….

As we approach our first meeting of the new 2-year term for the Council, it seems that everywhere we turn the future of coal is given a bleak outlook. True, the market is down somewhat and the fuel of choice for electricity generation does not seem to be coal – at least not in the near term. Environmental regulations are getting more and more stringent as well. So what do we do? Should we pack up and go home? Should we fight all the new regulations we face? I think not.

I believe that now is a time for innovation and creativity and for bold measures. We need to play more offense and less defense. We need to advance carbon sequestration technologies, just like we did for SO_2 and NO_X control technologies. We need to support the research and development of zero emissions technologies like we did clean coal technologies. We need to promote the wise and efficient use of the natural resources we have within the borders of our own country.

Others will fight the defensive battles. The Council should focus on new and innovative technologies designed to keep coal as a major energy-providing fuel well into the 21st century.

I look forward to working with all of you during this term of the Council to begin that process.

Robert A. Beck
Executive Director

Air Quality

Early in the month, a three-judge panel of the U.S. Court of Appeals for the D.C. Circuit, by a 2-1 margin, upheld the EPA program under which 22 states and the District of Columbia must revise their state implementation plans (SIPs) to substantially reduce NO_x emissions from facilities within their borders. The controversial SIP call rule, which suggested that cuts of up to 85% in utilities' NO_x emissions would be the most cost-effective way to meet program requirements, was challenged by states and utilities in the Midwest and South; appellants contended that EPA's cost-based method of determining state contributions to downwind non-attainment was illegal, as was the agency's one-size-fits-all approach to controls. Following the decision, an EEI officer indicated that utilities likely would appeal, seeking review first by the full Appeals Court, and, if necessary, by the U.S. Supreme Court.

Also on the NO_x front, two North Carolina utilities, Duke Power and Carolina Power & Light, have announced that they will begin reducing emissions of that effluent from their coal-fired power plants, with the goal of a 40% drop by 2005. Duke will reduce its emissions through the use of technologies such as NO_x burners, while CP&L will employ selective catalytic reduction technology. The Companies' action was taken with an eye toward meeting a NO_x control program now under consideration by state environmental regulators.

Meanwhile, uncertainty over the effects in the coming years of EPA's recent clean air initiatives may have affected the SO_2 allowance auctions conducted by the Chicago Board of Trade on agency's behalf. Allowances sold under the spot auction, which can be used immediately, had a market clearing price of over twice that of those sold at the advance auction, which cannot be used for compliance purposes until 2007.

Substantial new cuts in SO_2 and NO_x were advocated by environmentalists in the wake of a new GAO study, which concluded that acid rain is damaging forests and lakes in upstate

New York at a faster clip than predicted by EPA. The study was cited by Representative John Sweeney (R-NY) as he advocated renewed attention to stalled legislation (H.R. 25, S. 172) that would require steep cuts in these emissions by 2010, compared with a 1990 baseline, as a possible acid rain fix.

North of the border, TransAlta, Canada's largest independent power producer, has unveiled a proposal under which it would zero out its net greenhouse gas emissions by 2024. The initiative utilizes emissions trading and offsets, as well as a timeframe that would allow the development of new combustion technologies and renewable energy systems. Also in Canada, the Ontario Clean Air Alliance called on the provincial government to require any buyer of the 1,140-megawatt Lakeview power plant to switch its fuel from coal to natural gas; the environmentalists are concerned that a new owner could reverse Ontario Power's previously announced decision to switch fuels.

Finally, EPA sought and received a 30-day extension of a court-mandated early-March deadline for a decision on whether to regulate utilities' coal and oil combustion wastes as hazardous materials under the Resource Conservation and Recovery Act (RCRA). The agency previously has held that various low-volume wastes, as well as high-volume ones such as fly ash, bottom ash, boiler slag, and flue gas emission control waste, are non-hazardous and should remain exempt from regulation. However, knowledgeable observers have suggested that this stance is being reexamined in the face of mounting pressure from environmentalists, a key Administration constituency.

Climate Change

The Department of Energy has announced the award of $7.7 million for eight projects focusing on carbon sequestration research and development, indicating that it is attempting to give utilities a new cost-effective option for addressing global climate change. DOE previously announced that it would more than double, to $19.5 million, funding for such R&D in fiscal year 2001; its goal is to develop concepts that cost only $10 per ton of carbon, or two-tenths of a cent per kilowatt-hour of electricity. Seven of the eight projects will team DOE lab personnel with scientists from the private sector, universities, or other government agencies; the eighth is being managed by Argonne National Laboratory.

Overseas, the British government has announced a draft plan for responding to global climate change, specifying that it is focusing on reducing greenhouse gas emissions by 22% below 1990 levels by 2012, well beyond the 12.5% required by the Kyoto Protocol. The plan utilizes a CO_2 tax, the use of low-carbon technologies, and agreements with energy-intensive industries on emissions reduction targets. Meeting this goal, as well as its objective of lowering CO_2 emissions by 20% below 1990 levels by 2010, would result in substantial amounts of reduction credits that the U.K. could sell to industrialized countries unable to meet their emissions reductions commitments under the pact.

Meanwhile, the European Commission has moved toward establishing the first international trading system for greenhouse gas emissions, approving a document that calls for the debut of such a system for the European Union's 15 members by 2005. Options include a centralized cap and trading system for emissions from power plants and other large industrial sources, as well as near-term energy taxes and efficiency measures aimed at the residential and transportation sectors. Flexibility is provided by Kyoto's authorization for the EU to redistribute members' emissions reductions commitments, as long as the group as a whole reduces emissions by 8% below 1990 levels by 2012.

Mining

A group of 21 House Republicans has urged President Clinton to closely monitor regulatory efforts that might encourage mountaintop removal mining in Appalachia in the wake of last October's District Court judge's decision proscribing such practices near certain streams in West Virginia. The lawmakers cited the Army Corps of Engineers and EPA as entities to watch, suggesting that they might change the definition of fill material under Section 404 of the Clean Water Act to give the Corps legal authority to resume the recently banned practice.

Meanwhile, attorneys representing the Federal government in the lawsuit over mountaintop removal mining in West Virginia have increased efforts to reach an out-of-court settlement of the case. In light of the push, Justice Department attorneys sought a 30-day extension of the early-April deadline for the filing of briefs in the proceeding in Federal Appeals Court "in order to give ongoing discussions among the parties a chance to succeed."

The mountaintop mining controversy also flared in Kentucky, where EPA accused coal companies of failing to follow the agency's permitting procedures, and called on state regulators to step up oversight of such mining operations and bring standards into line with those enforced in West Virginia. An EPA regional official explained that the agency wanted to ensure consistency in oversight and enforcement by all of the federal and state agencies dealing with the mountaintop mining issue.

Also in the Bluegrass State, state mining regulators hosted an emergency meeting on the fallout from an ongoing EPA investigation into possible mountaintop mining removal irregularities in the state. The session followed the suggestion by an EPA regional official that Kentucky coal companies routinely failed to obtain a special Corps of Engineers permit before disposing of fill material in streams.

In another development in the region, OSM has released its final environmental impact statement (EIS) on an environmentalists' petition to bar surface coal mining operations from an area that includes a state park in Tennessee. The EIS suggested precluding mining directly in the park, as well as in selected properties outside the area; under the preferred alternative, about 35 million of the 49 million tons of coal in the petition area would not be recoverable.

Finally, OSM Director Kathy Karpan told a congressional subcommittee that the Office and the White House want a 10-year extension in fees for the Abandoned Mine Lands program, largely to raise money for the UMW Combined Benefits Fund. The fee now is set to expire in September 2004; its extension, she said, will ensure continued benefits for retired coal miners and their dependents, as well as the commitment to reclaim and restore abandoned mine lands.

Ms. Karpan also announced the availability of the final EIS on a petition to designate lands with a watershed that includes a state park, Falls Creek Falls, in Tennessee, as unsuitable for surface coal mining operations. She subsequently announced an extension of the waiting period for her decision on the matter until May 2, to ensure that all interested parties have a chance to review the document.

Studies, R&D

While the U.S. and Canada will need some 222,000 megawatts of new generating capacity by 2012 to meet growing demand and to replace plants likely to be retired, projects now under way or in development should do more than keep pace, a new study has concluded. The report, by Resource Data International, specified that 189,000 megawatts of capacity already has been announced, with most scheduled to be constructed within the next four years. And, it cautioned, two regions – New England and Texas – are in danger of seeing construction outpace demand. Most of the new plants – 64% - will use combined-cycle technology, RDI reported, with 33% utilizing combustion turbines, and only 3% coal-fired, because of initial capital costs and environmental compliance requirements. However, it pointed out, existing coal plants appear likely to retain a prominent role in power supply.

Commonwealth Edison Company has given Southern Illinois University-Carbondale $25 million to further the school's research into clean-coal technology projects designed to make Illinois high-sulfur coal more attractive to coal buyers. The funds came from profits from the company's December 1999 sale of fossil-fueled generating units; the state legislature mandated that they be used for clean coal projects.

Elsewhere on the research front, DOE has issued a $13 million solicitation for industry proposals on cost-cutting mercury-control proposals for coal-based power systems. The Department said that it is interested in aiding in the determination of the most cost-effective pollution control technologies if the federal government decides to regulate mercury and other air pollutants from coal-burning utilities. It hopes to develop new technologies that will cut mercury emissions 50-70% by 2005 and 90% by 2010 at one-quarter to one-half of current cost estimates.

DOE also has announced funding of five entities to examine ways of capturing methane emissions from active and inactive coalmines. The parties have performed feasibility studies under the Climate Challenge Program, and now will receive cost-shared funds to help with engineering/design work for the actual projects.

Transportation

Wyoming's legislature has approved a pair of bills placing sizeable new taxes on coal transportation within the state. One would impose a tax at the rate of one-tenth of one mill ($.0001) for each ton of coal commercially transported within the state, with estimated annual proceeds of $6.6 million. The other, non-specific to coal, would impose a charge of 7 cents on each train-mile railroads travel within the state, along with an additional charge of $100 for each public rail crossing on a company's lines; annual proceeds are estimated at $1.5 million. Additionally, an existing tax of 2 cents per gallon of fuel was extended. The taxes were strongly opposed by the mining and railroad industries, and producers have expressed concern about their prospective effect on the competitiveness of Wyoming coal.

People on the Move

OSM Director Kathy Karpan has temporarily recused herself from all decision-making responsibilities over the mining industry while pursuing other employment opportunities, an Interior Department spokesman has confirmed. The Department declined any further comment. One rumor that has found its way into print suggests that the OSM chief may be under consideration to succeed National Mining Association President Richard Lawson upon his retirement at year's end.

Former National Coal Council Chair Bobby Brown has left the CONSOL Energy Board of Directors, officially concluding his connection with the firm. Mr. Brown left CONSOL's chairmanship in January 1999, and recently completed a one-year consulting contract with the company.