

COAL UTILIZATION RESEARCH COUNCIL

March 19, 2007

The Honorable John D. Dingell
Chairman, Committee on Energy
And Commerce
2125 Rayburn HOB
Washington DC 20515

The Honorable Rick Boucher
Chairman, Subcommittee on Energy
and Air Quality
2125 Rayburn HOB
Washington DC 20515

Dear Chairman Dingell and Subcommittee Chairman Boucher:

On behalf of the membership of the Coal Utilization Research Council (CURC), I wish to express our thanks for the opportunity to respond to questions you raised relating to the issue of climate change and possible legislative responses.

CURC is a U.S.-based organization of coal producers, coal using electric utilities, equipment suppliers, construction firms, institutions of higher learning and various state agencies involved in the development of technology to utilize our nation's vast coal resources. As an organization, CURC does not take a position on the question of climate change or the need to enact policies to regulate greenhouse gases. However, we do believe that if legislation is considered and enacted, technology must play a principal role in the design and subsequent implementation of that legislation. This is so because we maintain that technology is the pathway for the long-term use of coal if it is determined there is a need to regulate or manage carbon dioxide and other greenhouse gases.

Given our focused involvement in the climate change discussion, we are not able to answer, on behalf of our membership, those questions you have posed relative to the specifics of policy options like a "cap and trade" program (as stated in question #2 of your joint letter). Nor are we able to respond to your question regarding existing voluntary or mandatory authorities (as set forth in question #3); integration of a particular policy option into other international obligations (as posed in question #4); nor finally, any actions currently taken by CURC members to reduce greenhouse gas emissions (as asked in question #5).

Although we are not able to respond to several questions posed in your letter, we do make the following comments:

1. With respect to question #1 you have asked that we identify issues that "should be addressed in the Committee's legislation, how ... they [the issues] should be resolved, and ... recommended timetable for Congressional consideration and enactment."

ANSWER: To ensure that American consumers continue to enjoy the benefits of low cost electricity generated from coal it is imperative that coal be preserved as an inexpensive, reliable option for electricity generation. As Congress considers policy options to address climate change, it is imperative that technologies be available to capture the carbon dioxide emitted from the combustion or conversion

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of coal to useful energy and that the captured CO₂ be safely and efficiently transported and stored. This set of technologies is now commonly referred to as CCS (carbon capture and storage) technologies.

To date, it is our judgment that public (Department of Energy primarily) funding to develop these technologies has been seriously inadequate particularly with respect to public/private technology demonstrations. This is true with respect to the development of the technology to capture CO₂ from existing and new combustion-based coal generation units as well as the technology and know-how associated with the long-term storage of CO₂. In addition, unlike the current generation of coal-fired power plants, which utilize technology (sub critical and super critical pulverized coal combustion) that is mature and widely understood, IGCC and advanced, ultra supercritical coal combustion systems are just entering the marketplace. To insure that these new, more efficient systems are widely adopted, any policy addressing climate change should encourage the use of such systems. There is a need for both augmented funding for research, development and demonstration programs and a need for incentives, both financial and regulatory, to encourage wide deployment of CCS technologies once these technologies complete the demonstration phase and are offered commercially.

We also believe that any legislation to encourage technology development should support all major technology options under development. The promise of marketplace competition will stimulate investment in promising technologies that fulfill a particular need. Therefore, while considering carbon management legislation, we urge you to reject provisions in bills that would explicitly or implicitly provide preferential advantage or disadvantage to any one potentially viable technology. A variety of options should be made available and, at this point in the development of technologies to capture and sequester CO₂, no one option should be preferred.

We would be pleased to provide specific suggestions with respect to each of the areas discussed above.

With respect to “timetables” it is very important to note that technology development and acceptance requires time.

A development cycle for technologies similar to the clean coal technologies referenced above may be twenty years or more from R&D to actual commercial use. CURC has projected that with sufficient funding and R&D programs focused specifically upon the development of key technologies, we can have gasification and combustion-based electricity generation systems, capable of capturing and storing CO₂, available for commercial use during the 2020 to 2025 timeframe. These systems would be highly efficient and could provide electricity to consumers at a cost nearly equivalent to a new power plant constructed today. In our judgment, these technologies will not become available if utilities are directed to comply with a regulatory program that siphons money and personnel away from technology demonstration and deployment towards other means for early compliance requirements. And, if CCS technologies are not developed and commercially available if and when CO₂ compliance programs are initiated then, in all likelihood, coal use will diminish and consumers will pay the costs of much more expensive electricity.

2. With respect to question #2 (h) (k) and (l) you asked about “early reductions...”; revenues from “an auction or a safety valve” and special features “to encourage technological development.”

ANSWER: Again, not directly addressing the question of the appropriateness (or lack thereof) of the concepts addressed in each of these subparts to question #2, should the Committee include such

provisions in any proposal, we strongly urge that you consider the creation of incentives, in the form of government derived funding to support needed RD&D as well as deployment, early crediting for voluntary actions if accomplished with the installation and operation of qualifying advanced CCS technology, delay of compliance dates, etc. to encourage advanced technology utilization. There are any number of incentives which should be included if technology is to be a principal means by which compliance could be achieved.

We appreciate this opportunity to participate in this important activity and we would be pleased to answer any further questions that might arise involving clean coal technologies.

Sincerely,

The Coal Utilization Research Council

CC: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable J. Dennis Hastert, Ranking Member
Subcommittee on Energy and Air Quality