

SENATE REPUBLICAN CONFERENCE “AMERICAN ENERGY FORUM”

Good morning, Chairman Murkowski and members of the Senate Republican Conference. I am Paul Georgia, Chief Economist of the National Mining Association. NMA is the national voice of the U.S. mining industry and we're grateful for the opportunity to be here today.

This hearing is especially timely for the coal industry. NMA will announce the results of its revised annual forecast for U.S. coal production and consumption. It shows that, despite a lagging economy, U.S. coal demand will set a new record in 2008, reaching 1.218 billion tons, surpassing our previous record set in 2006. This revised forecast reflects the powerful underlying conditions that continue to drive demand for the U.S. coal. These conditions include coal's affordability ... its domestic abundance ... and its reliability as a provider of electricity ... and also its vital use in steel production.

Coal provides the United States with an invaluable opportunity to strengthen its energy independence as well as meet its growing demands for affordable electric power.

The United States has the world's largest reserves of recoverable coal, providing the country with an estimated 250-year supply of secure, domestic energy. In fact, on an energy equivalent basis, the 5,441 quadrillion BTUs of U.S. coal surpasses the 4,446 quadrillion BTUs of Middle East oil.

This abundance largely accounts for why coal generates half of the nation's electricity, by far the largest share among competing fuels, and why its share is projected to grow to 54 percent by 2030, according to the U.S. Energy Information Administration (EIA) latest forecast. And this of course will be a growing share of a growing market for electricity generation; demand for electric power is expected to grow by 29 percent by 2030.

Coal ensures Americans affordable electricity. States that rely on coal for less than 40 percent of their electricity pay approximately 70 percent more than consumers in states that use coal to generate 70 percent or more of their electricity.

As a result, the National Electricity Reliability Council states, and I quote ... Coal is the key to assuring adequate U.S. electricity supply.

Coal has the further potential to serve U.S. energy needs by expanding beyond electricity generation to the transportation sector. The development of a domestic coal-to-liquid industry can offset imported fuel ... and supply U.S. armed forces with a secure supply of domestic fuel. The growing polygeneration market offers further opportunities to provide a wide range of products for consumer and industrial uses from an abundant domestic fuel. And with this growing utilization will come thousands of high-wage jobs for many of the 26 states that mine coal.

At the same time that technology is making coal more useful, it is also making coal cleaner to use. Advances in clean coal technologies and more efficient combustion systems have enabled U.S. power plants to reduce their regulated emissions by 40 percent since 1970 – at the same time coal-based generation has increased by 181 percent. In fact, a new coal-fueled power plant today emits 70 percent fewer emissions than the typical plant it replaces built in the 1970s. Emissions of sulfur dioxide, nitrogen dioxide, particulate matter and even mercury are expected to decline further over the next several decades to meet new air quality standards.

Although technology suitable for removing and storing greenhouse gas emissions from power plants does not yet exist, a significant financial commitment to accelerating the development and deployment of this technology could soon pay enormous dividends for the United States. The U.S. coal industry agrees with many universities and research organizations that the U.S. should invest in the development and deployment of carbon capture and storage technologies capable of neutralizing carbon emissions from coal combustion.

The sums required for this purpose will be considerable, but so too will be the benefits from reducing greenhouse gas emissions – not only here but in the developing world as well, where coal use is destined to rise substantially for

the foreseeable future. According to the most recent estimates, coal's share of global electricity generation will rise to 45 percent from 40 percent today.

The U.S. coal industry also constitutes a major source of employment and local revenue throughout several dozen states where coal is mined in significant quantities. In 25 states, coal generates 50 percent or more of the electricity and in 11 states employs 3,000 or more people. Altogether, coal production directly employs approximately 116,400 Americans and indirectly supports 525,000 jobs.

In addition, coal generated \$26.7 billion in sales and paid more than \$7 billion in direct wages and salaries.

This concludes my statement, Madame Chairman. I would be happy to answer any questions you or your colleagues may have.