

What's Really Causing Coal's Decline?

Let's start by correcting the premise. The simplest answer to the question posed by *The National Journal* this week is "hyperbole" is behind the talk of coal's "decline". Like Mark Twain's quip about his own demise, the news of coal's decline is greatly exaggerated. It is, nonetheless, the cause for legitimate concern among those who value affordable electricity from a secure and abundant domestic energy source. So, let's look at the question from a more dispassionate perspective.

First of all, the "decline-of-coal" that is now the subject of inside-the-Beltway chatter is very relative. From generating virtually half the nation's electricity for a decade, coal is now generating 40 percent-plus. And with a 260-year supply of domestic coal under our feet, Americans will be relying on coal for the foreseeable future. That's why the EIA's most recent Outlook projects renewed growth in 2013.

To be sure, natural gas has increased its share of the electricity generation market in part due to unsustainably low gas prices. Moving forward, however, policies like those coming from EPA should cause consumers and policy makers grave concern as they recall the historic volatility of gas prices. The National Energy Technology Laboratory warned several years ago that "policies that encourage the use of natural gas to substitute for coal in power generation could very well lead to spectacular price increases for households and industry." If past is prologue, we may soon rue the day that EPA directed too many of our energy eggs into the gas basket.

Whatever the future holds for new coal plants, let's not overlook the current capacity coming on line by 2014. According to federal capacity data, almost 17 GW of new coal-based generation is expected – plants already under construction or permitted. And, despite the retirements

of older coal plants forced by EPA rules, the remaining ones will be running at higher capacity factors to provide households and businesses affordable and reliable power.

Finally, coal's decline will certainly be news to the world's fastest growing economies. They have led the five-year march that has made coal the world's fastest growing energy source. From Brazil to China, a 21st century industrial revolution is spurring renewed interest in U.S. coal for steelmaking and electricity generation. Last year U.S. coal exports reached 107 million short tons, the most in twenty years. Over the next five years, the International Energy Agency estimates that coal demand globally will increase by more than a half million tons a day, and some forecasts peg coal to surpass oil as the world's most prominent fuel within the next 15 years. With the largest proven coal reserves of any country, the rest of the world wants what the U.S. has the most of.

This isn't to minimize the obstacles to coal based generation expected from EPA's ill-conceived and likely illegal Clean Air Act regulations. At every turn, EPA has insisted upon the most costly and least flexible requirements for raising environmental performance. EPA's policy choices are unsupported by the scientific data and unresponsive to the cumulative impact on electricity costs and grid reliability.

The betting here is that the laws of supply and demand for coal will not be repealed. It is still the most reliable and abundant energy source we have.

