

MACT Issues Perspective

CIBO 32nd Annual Meeting
Williamsburg, VA

October 21, 2010

John H. Paul
North Region Vice President

The logo for the American Coalition for Clean Coal Electricity (ACCE). The letters 'ACCE' are rendered in a stylized, teal-colored font with a slight shadow effect. The 'A' is a simple outline, while the 'C's' and 'E' have a more complex, layered appearance.

AMERICAN COALITION FOR CLEAN COAL ELECTRICITY

jpaul@cleancoalusa.org

We're in the same boat!

- EPA proposes utility MACT March 2011 and final rule before year's end
- Subject to consent decree
- Meanwhile EPA collects and analyzes data for utility HAPS

Magnitude of the issue

- Utilities: **994 million tons** of coal in 2010
- Industrial sector: **44 million tons**
- Coking coal: another **20 million tons**

Source: EIA STEO Sep. 2010

Current utility controls

337 GW coal fleet nameplate capacity *

~ 1/3 of total US generation capacity

Provides nearly half of total US electricity

Extensive retrofits of scrubbers, SCRs, and other pollution controls in regulated and restructured markets

* DOE 2010

Previous EPA acid rain and SIP Call regulations: cost-effective controls

Emissions trading concentrates controls on largest and most-efficient units

Older, smaller units use combination of:

- Low-sulfur coal

- Low-NO_x burners

- Allowance purchases

Scrubbers and SCRs by 2012

EPA's Transport Rule increases SO₂ and NO_x reduction by coal-based utilities

2012 installed scrubber capacity - **181 GW**
or **53%** of coal-fueled capacity

2012 SCRs for NO_x control - **130 GW**
or **39%** of coal-fueled capacity

* EPA September 2010 IPM modeling

MACT challenges

“Top 12%” criteria likely produces challenging limits for mercury, acid gases, and other HAPs

Unrealistic statutory 3-year compliance timetable given industry size and number of retrofits

MACT compliance

MACT controls uneconomic for many units

Credit Suisse* and others expect coal plant retirements - 60 GW or more

Near-term replacement power from natural gas creates prospect of industrial and utility competition for supply

Reliability and electricity cost are potential issues

* September 2010

Gas is no solution

2011 delivered utility coal cost - \$2.19 mmBTU

2011 delivered gas costs - \$5.53 mmBTU

Industrial sector - 24% of 2010 US electricity consumption

Low electricity prices in national interest for industry and consumers

Gas may be a **near-term alternative, but not a 30-year solution**

* Source: EIA September 2010

Let's cooperate

Utilities and industrials can cooperate in seeking flexible, realistic mercury reduction targets and timetables

Benefit in compliance timeline “stretch out”

One- to two-year extensions almost certainly inadequate, given thousands of affected units

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