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Nuclear? Coal? What other energy solutions?

By Donald W. Lyons

Thanks to the go-ahead on offshore drilling, and despite much hand-wringing to the contrary, there are signs that America's energy amnesia is finally in remission.

Yet this good news gives rise to questions: Will an increase in offshore oil and natural gas production provide the impetus for developing other energy resources to shield consumers from high fuel prices? Will Congress address the need for coal and nuclear power? Or will nothing be done to help finance the construction of "base-load" power plants that use advanced technologies like coal-to-gas systems and carbon capture-and-storage?

Building additional electric power capacity is essential. The U.S. Energy Information Administration forecasts a 29 percent increase in the demand for electricity by 2030. On top of that, more than half of our coal-fueled power plants are at least 40 years old. Many will have to be retired or refurbished. Environmental issues, particularly the need to reduce carbon dioxide emissions, are making these issues more difficult to deal with.

The problem facing many electric utilities is a lack of financing for power-plant construction. While almost everyone in Washington talks a good game about loan guarantees to help utilities obtain financing for new coal and nuclear power plants, the loans have yet to be made. Maintaining a strong electric-power system, however, is essential to restoring confidence in the economy.

Quite simply, we cannot afford to let the Wall Street financial crisis lead to a paralysis in power-plant construction. Coal and nuclear power are critically important to America's energy future because they account for more than 70 percent of electricity generation. Since they are domestic energy sources, coal and nuclear power don't contribute to our energy security or trade deficit problems.

The larger question is whether we can afford to leave the future of clean-coal technology and nuclear power to the free market. Loan guarantees are needed because possible delays caused by opponents of coal and nuclear power have made any new major construction project a financial risk. Electric utilities in most states are required by law to provide reliable power at a cost that's economical for customers. They have taken this responsibility seriously. Unfortunately, in today's environment, it has become increasingly difficult for them to meet those obligations.

Just 24 coal-fueled power plants are under construction, but no nuclear plants. The implications of this slowdown in power plant construction are disturbing. They go to the heart of industries such as chemicals, food processing, steel, aluminum, paper and textiles as well as new industries like computers and semiconductors. Indeed, should electricity supply fail to meet customer needs, the resulting curtailment of production and job layoffs will reverberate through our economy.

The irony is that we are headed for the very situation that our nation's long-term energy policy was designed to avoid. The trend is toward greater use of natural gas in electricity production, which means higher costs for consumers.

The financial burden on consumers will grow if the next administration and Congress impose a cap-and-trade system on carbon emissions before the technology for capturing and storing coal-plant emissions becomes available. Should that occur, utilities would be forced to shift from coal to high-priced natural gas, and not even increased offshore production will provide enough gas to go around. This is no time for "business as usual" on energy policy.

Lyons is a professor of engineering at WVU.