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Public policies encouraging the replacement of coal based electricity generation with natural gas are the bridge for accelerating the export of our manufacturing base and, with it, millions of high-wage jobs. Look no further than actual experience over the past decade. As the use of natural gas increased for generating electricity, our manufacturing sector paid substantially higher prices for electricity (56 percent) and natural gas (200 percent). The Senate Energy and Natural Resources and Environment and Public Works Committees received testimony last week describing the consequences of this one-two punch to the U.S. manufacturing sector, which requires affordable electricity and natural gas to remain competitive.

According to the Industrial Energy Consumers of America, our manufacturing sector lost more than 5.1 million jobs in the last 10 years and more than 40,000 manufacturing plants closed between 2000 and 2008. As Dow Chemical Company explained to the Energy and Natural Resources Committee, “The manufacturing sector . . . has become the shock absorber for high natural gas costs.”

The “dash to gas” began a decade ago and, in its present form, the climate legislation under consideration would further exacerbate the consequences of higher electricity and natural gas prices for every manufacturer, farmer and homeowner. The proposal advanced last week by B.P. America, Inc. to retire 30 GW of coal generation capacity through “transitional incentives” for natural gas is simply a formula for subsidizing the accelerated off-shoring of our manufacturing base. Perhaps, as B.P. America suggests, such a substantial increase in natural gas consumption in the power sector can be met from existing reserves: But at what price? Economic dispatch is the reason why natural gas combined-cycle power plants run at less than 40 percent of their capacity. If natural gas could be delivered reliably at a price closer to the \$2 MMBTU coal delivered last year, rather than the \$9 the power sector paid for natural gas, those plants would run at higher capacity factors. Such a prospect is, apparently, out of the question without suspending the rules of economic dispatch through a natural gas subsidy.

In a report released last year, the National Energy Technology Laboratory (NETL) warned 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.” Coal-based electricity, according to NETL, restrained the price of electricity and has constrained the price of natural gas from matching the rise in the price of oil. We do not believe that the

public interest is well served by policies that approach our energy future as a zero-sum game. As Paul Cicio of the Industrial Energy Consumers of America reminded us last week, “Almost any product produced in the U.S. can be produced offshore and imported.” The shale gas play may be a game changer for the natural gas industry, but we should eschew policies that make it a job ender for everyone else.

<http://energy.nationaljournal.com/2009/11/should-we-start-swapping-coal.php#1387697>