



IMUA Annual Meeting

Par-A-Dice Hotel – Peoria, IL

May 14, 2008

ACCCESM

AMERICAN COALITION FOR CLEAN COAL ELECTRICITY

ACCCE Membership

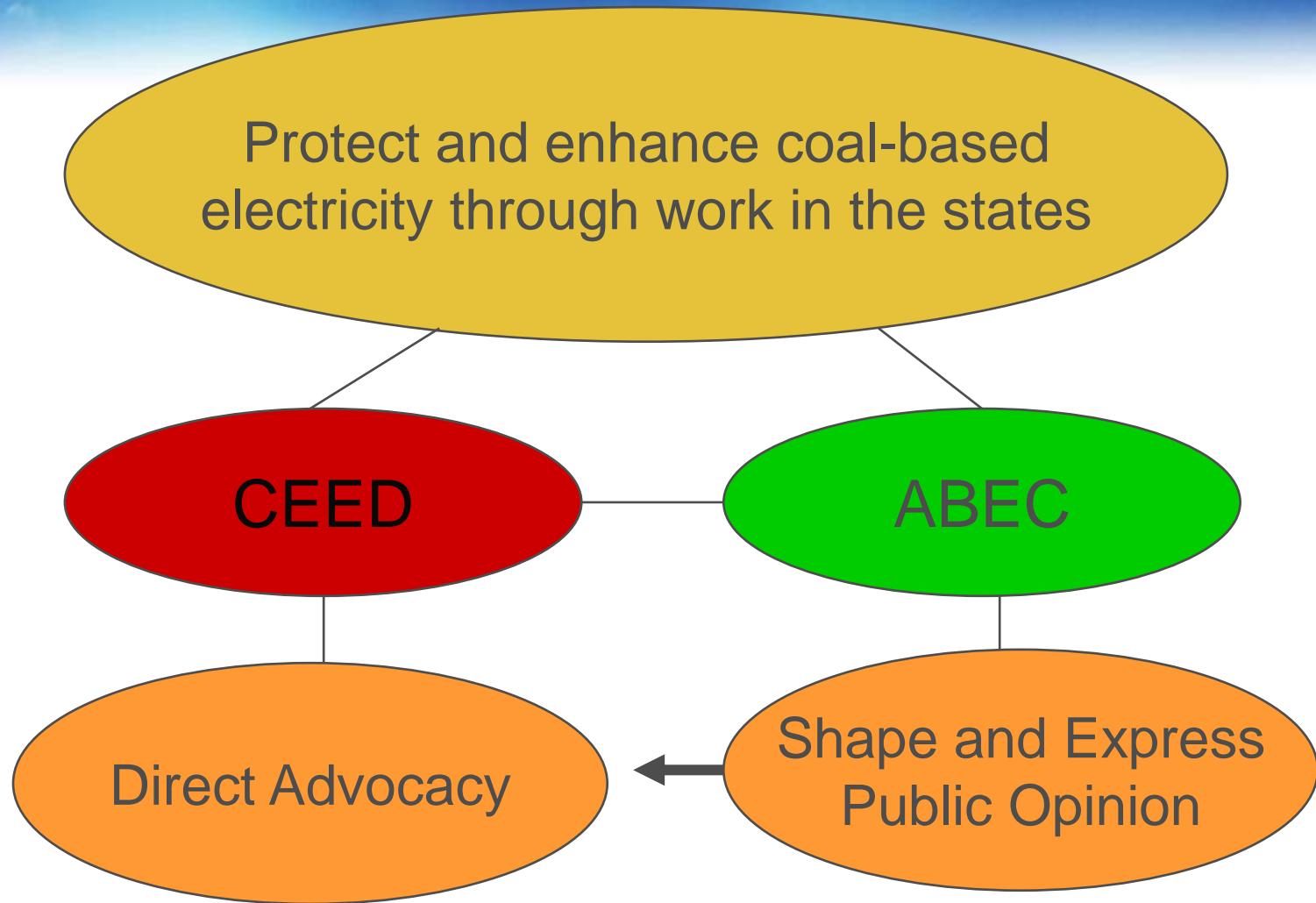
- Major coal-burning utilities
- Major coal-hauling railroads
- Major coal companies
- Barge/Trucking Companies and Manufacturers that supply these industries
- United Mine Workers and United Transportation Union are non-dues paying members

Protect and enhance coal-based
electricity through work in the states

CEED

Direct Advocacy

Shape Public Opinion



CEED
ABEC

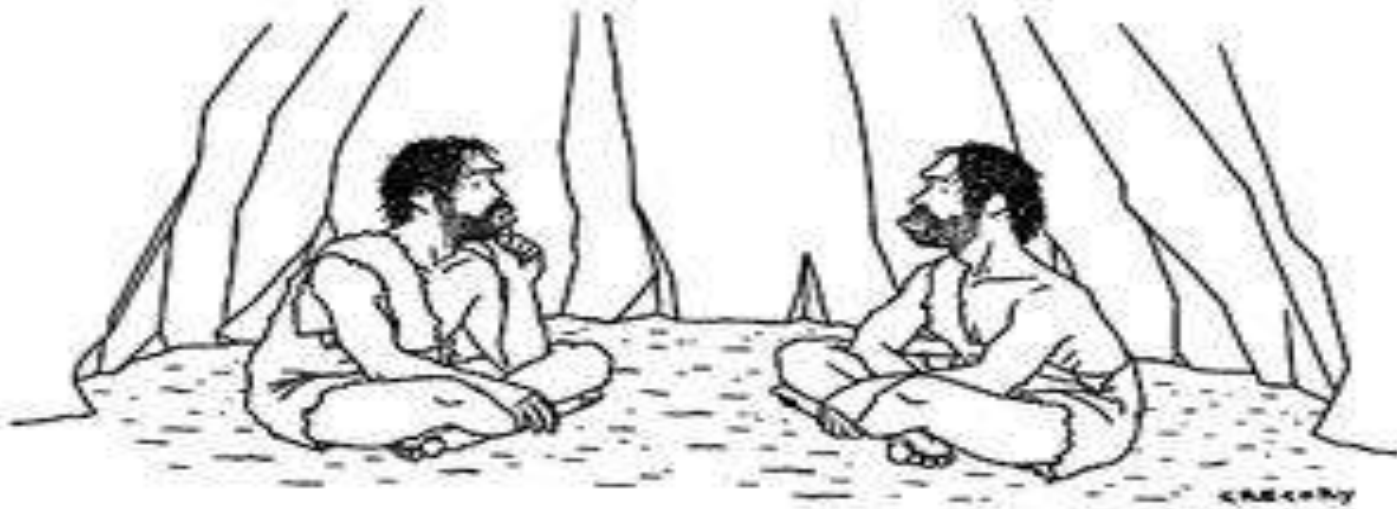
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AMERICAN COALITION FOR CLEAN COAL ELECTRICITY

Today's Discussion

- 1. IL Climate Change Advisory Group
- 2. IL General Assembly
- 3. Midwest Governor's Association (MGA)
- 4. The Way Forward
- 5. Questions?

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“Something’s just not right --- our air is clean, our water is pure, we all get plenty of exercise, everything we eat is organic and free-range, and yet nobody lives past thirty.”

Background: Illinois Greenhouse Gas Process

- Blagojevich 2006 Executive Order called for Climate Change Advisory Group.
- Governor's February 13, 2006 press release set targets of reducing IL GHG emissions to 1990 levels by 2020, 60% below 1990 by 2050.
- Modeling performed by ICF International using the "Energy 2020" subcontractor model. REMI runs by IL DCEO.

Key policies adopted in ICCAG report

- Cap & trade with 85% auctions, covering EGUs and large industrials.
- 19 consensus policy recommendations for industrial, agricultural, conservation and efficiency initiatives.
- Group opinion divided over five proposals.

The disputed policies

Five Strategies Supported by a majority of voting ICCAG Members

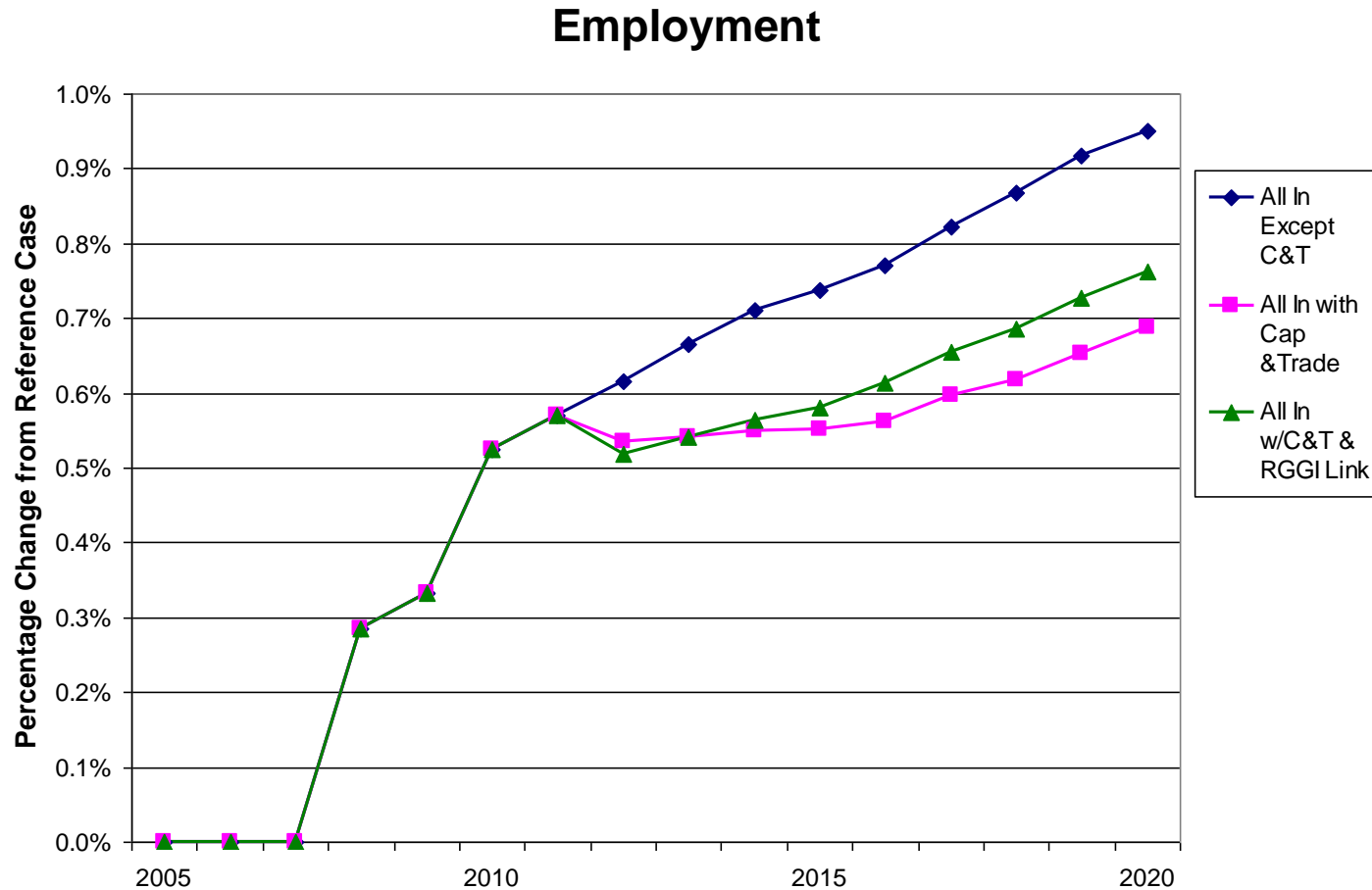
Brief Description of Strategy	Subgroup
GHG emissions standards for automobiles	Transport
CO2 emissions performance standards for electricity generation or purchases electricity (new generation only)	Power/Energy
Carbon capture & storage (from the outset) portfolio standard of 5%. Utilities must buy if available.	Power/Energy
20% carbon offset requirements for new fossil fuel power plants	Cap and Trade
Cap-and-trade program for power generators and relatively large industrial sources; preference to link with other states	Cap and Trade

The IEPA modeling sleight of hand

- Policies are advertised as providing net state GDP, income and employment benefits
- We were able to disaggregate the impacts of cap & trade from other policies

Economic Impacts of Policy Portfolios

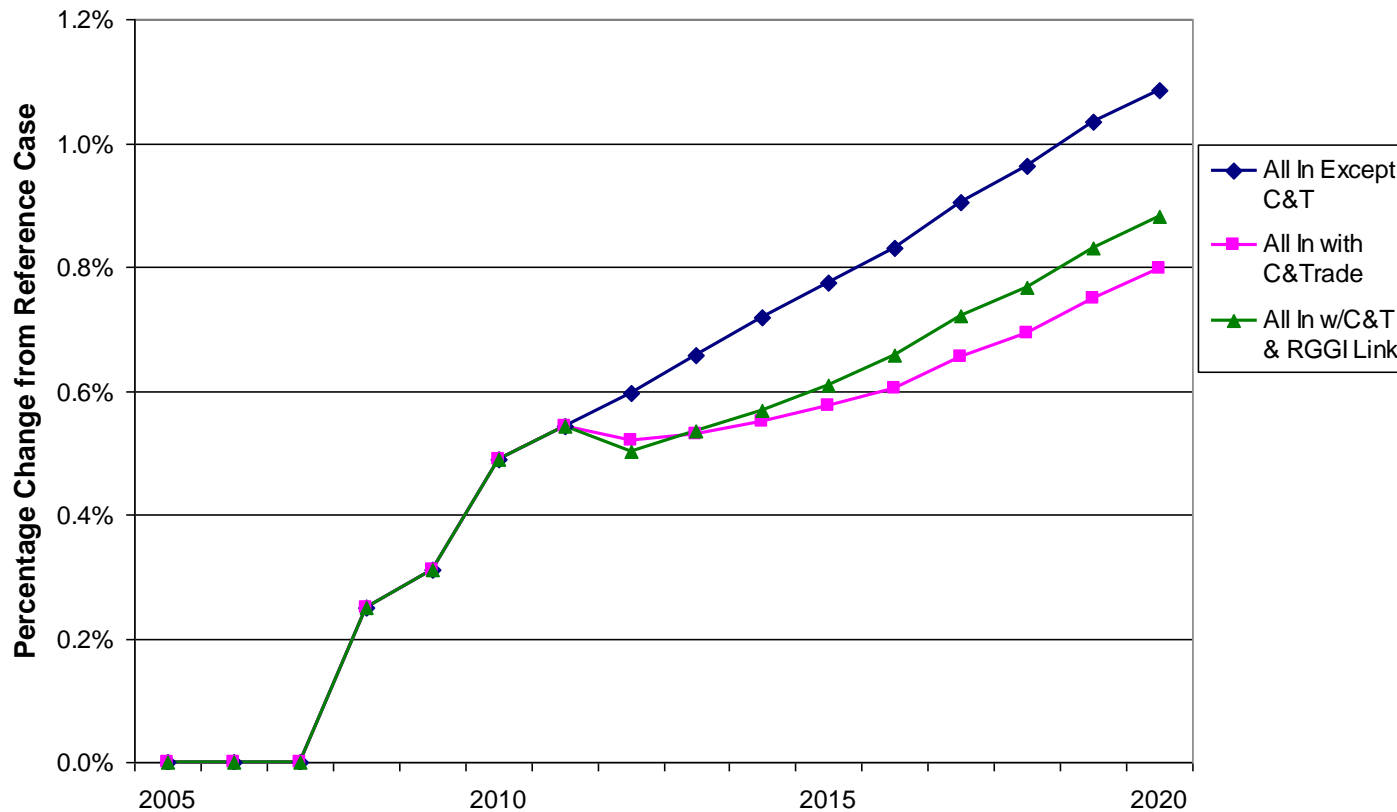
- All policies positively impact state employment



Economic Impacts of Policy Portfolios

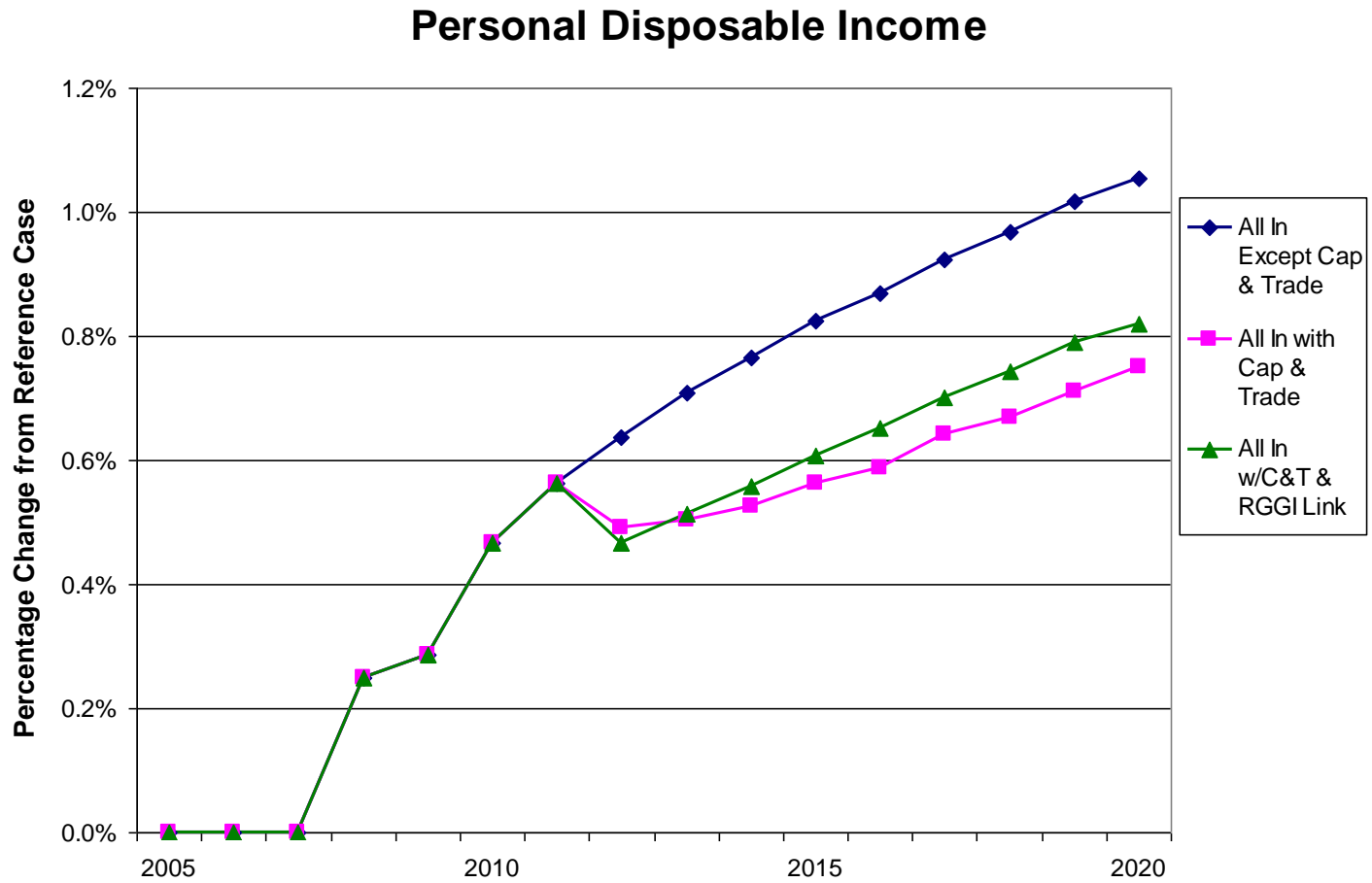
- Impact on Gross State Product positive for all policies
- GSP increases by ~0.5% by 2010 and continues to grow

Gross State Product



Economic Impacts of Policy Portfolios

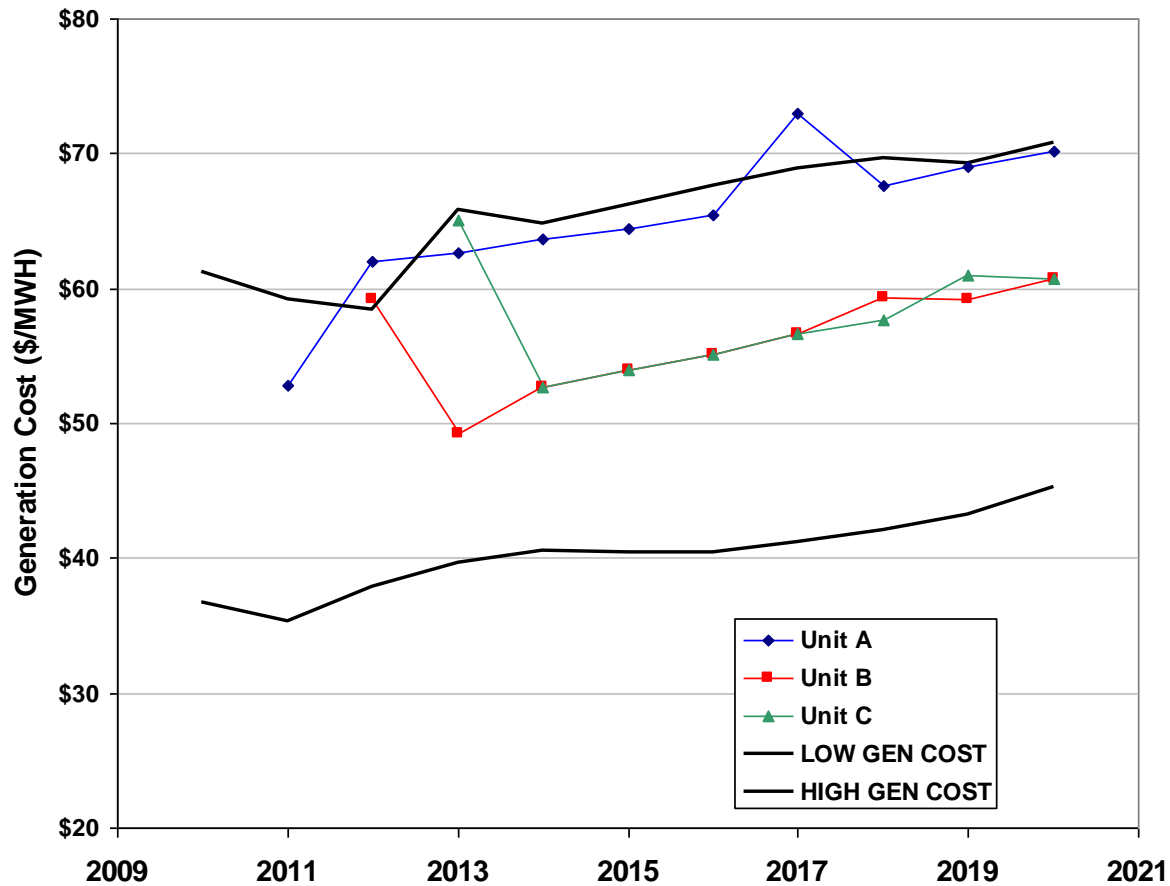
- Real Personal Income increases over the entire period.



Principal IL rebuttal issues

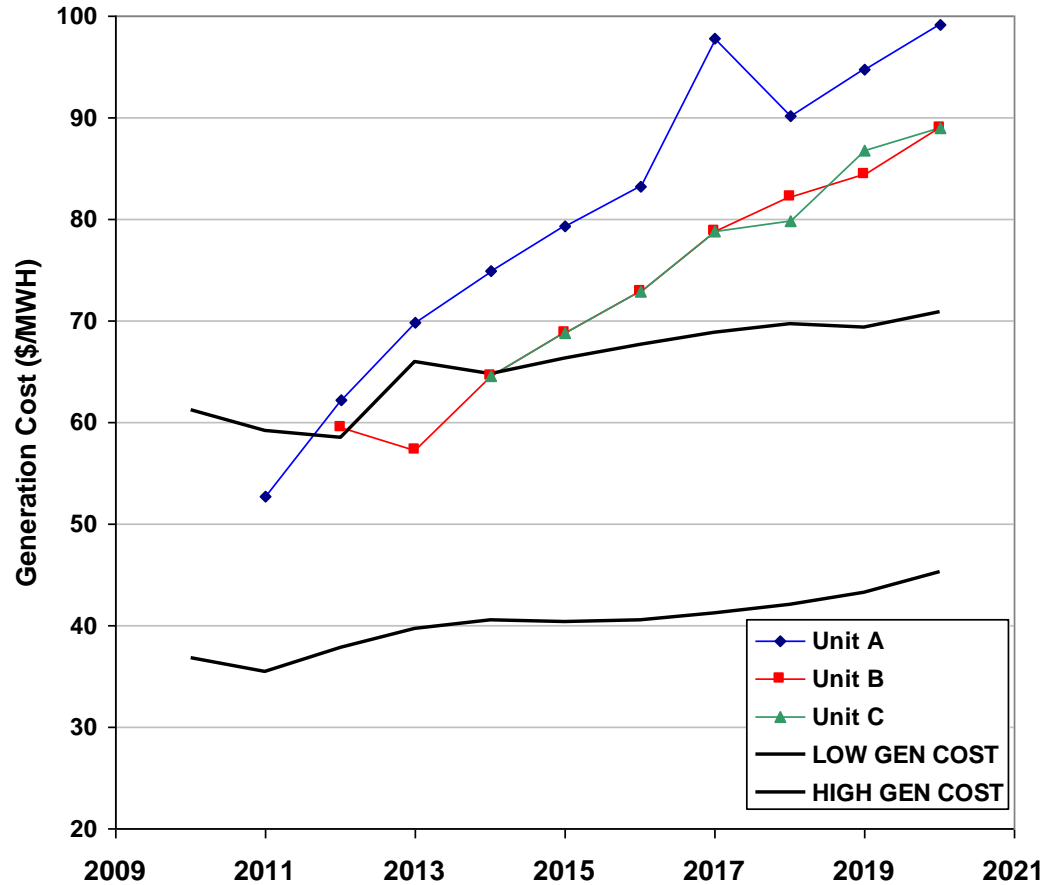
- After net leakage is considered, national CO₂ reductions from cap & trade are minimal, macroeconomic impacts are negative.
- Imposition of a state cap & trade program on top of a federal program would double costs of compliance with no measurable environmental benefits, while deterring investments in new capacity.
- New capacity analysis shows effects of double carbon penalty.

CAIR/CAMR & S.280: All units survive

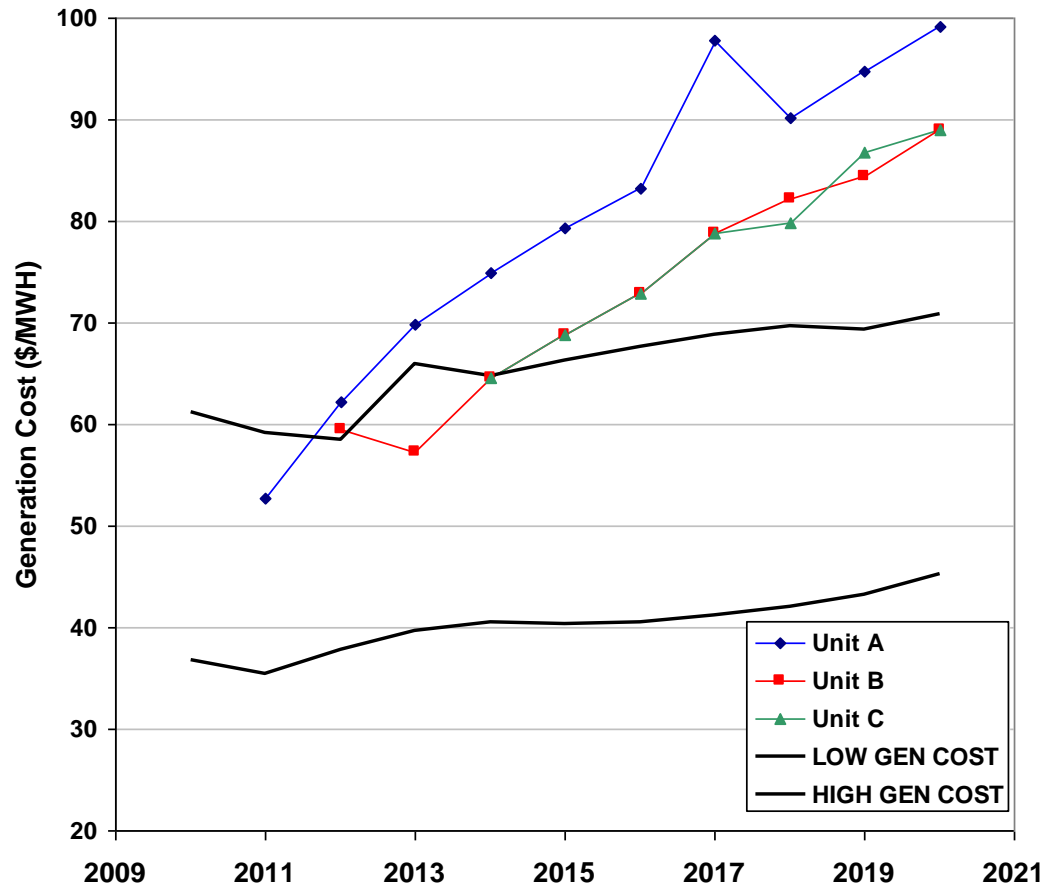


Source: J. Marchetti & M. Hein (EUEC Jan. 2008).

S.280 plus IL C&T: All units uncompetitive (effects of double carbon tax)



S.280 plus IL C&T: All units uncompetitive (effects of double carbon penalty)



Source: J. Marchetti & M. Hein (EUEC Jan. 2008).

Change in emissions by region: cap & trade increases generation outside Illinois, for minimal 2 million ton net change in US CO₂ emissions

➤ Change (in 2020) from Reference Case (Mt CO₂e)

Policy Portfolio (IL-05-00) - "All In" Except Cap and Trade in 2020					
Sector	Illinois	Region	Rest of U.S.	Net - Outside of Illinois	North America as a whole
Residential	(5.84)	(0.00)	-	-	(5.84)
Commercial	(4.35)	-	(0.00)	(0.00)	(4.35)
Industrial	(4.09)	(0.00)	(0.00)	0.00	(4.09)
Agriculture/ Forestry	(1.72)	-	-	-	(1.72)
Passenger Transport	(15.64)	-	-	-	(15.64)
Freight Transport	(1.39)	-	-	-	(0.05)
Power Sector	(0.44)	(19.21)	(24.42)	(43.60)	(44.05)
Waste & Wastewater	(3.01)	-	-	-	(3.01)
Total-	(36.49)	(19.21)	(24.42)	(43.60)	(78.75)

Policy Portfolio (IL-10-00) - "All In" with Cap and Trade in 2020					
Sector	Illinois	Region	Rest of U.S.	Net - Outside of Illinois	North America as a whole
Residential	(5.89)	(0.00)	-	-	(5.89)
Commercial	(4.38)	-	(0.00)	(0.00)	(4.38)
Industrial	(5.65)	(0.00)	(0.00)	0.00	(5.65)
Agriculture/ Forestry	(1.87)	-	-	-	(1.87)
Passenger Transport	(15.78)	-	-	-	(15.78)
Freight Transport	(1.42)	-	-	-	(0.08)
Power Sector	(40.79)	6.18	(9.54)	(3.33)	(44.12)
Waste & Wastewater	(3.02)	-	-	-	(3.02)
Total-	(78.80)	6.18	(9.54)	(3.33)	(80.79)

Relative to “All-in w/o Cap & Trade,” C&T reduces state GDP, personal income & jobs

Impact	“All-in w/o C&T minus “all-in with C&T”	Cost per ton CO2
Net CO2 reduction, 2020	2,000,000 tons	
Job losses	-20,000	
Illinois GDP loss	-\$2.0 billion	\$1,000
Disposable income loss	-\$1.5 billion	\$750
Allowance auction cost	\$1.0+ billion	\$500

Source: Comments of Illinois Climate Change Advisory Group Labor Members, December 12, 2007.

The Illinois General Assembly

- Summer Hearings on Climate Change
- Governor Has Not Released Final Report of ICCAG
- “Other Factors” Override Policy Considerations
- Regional/National/International Considerations

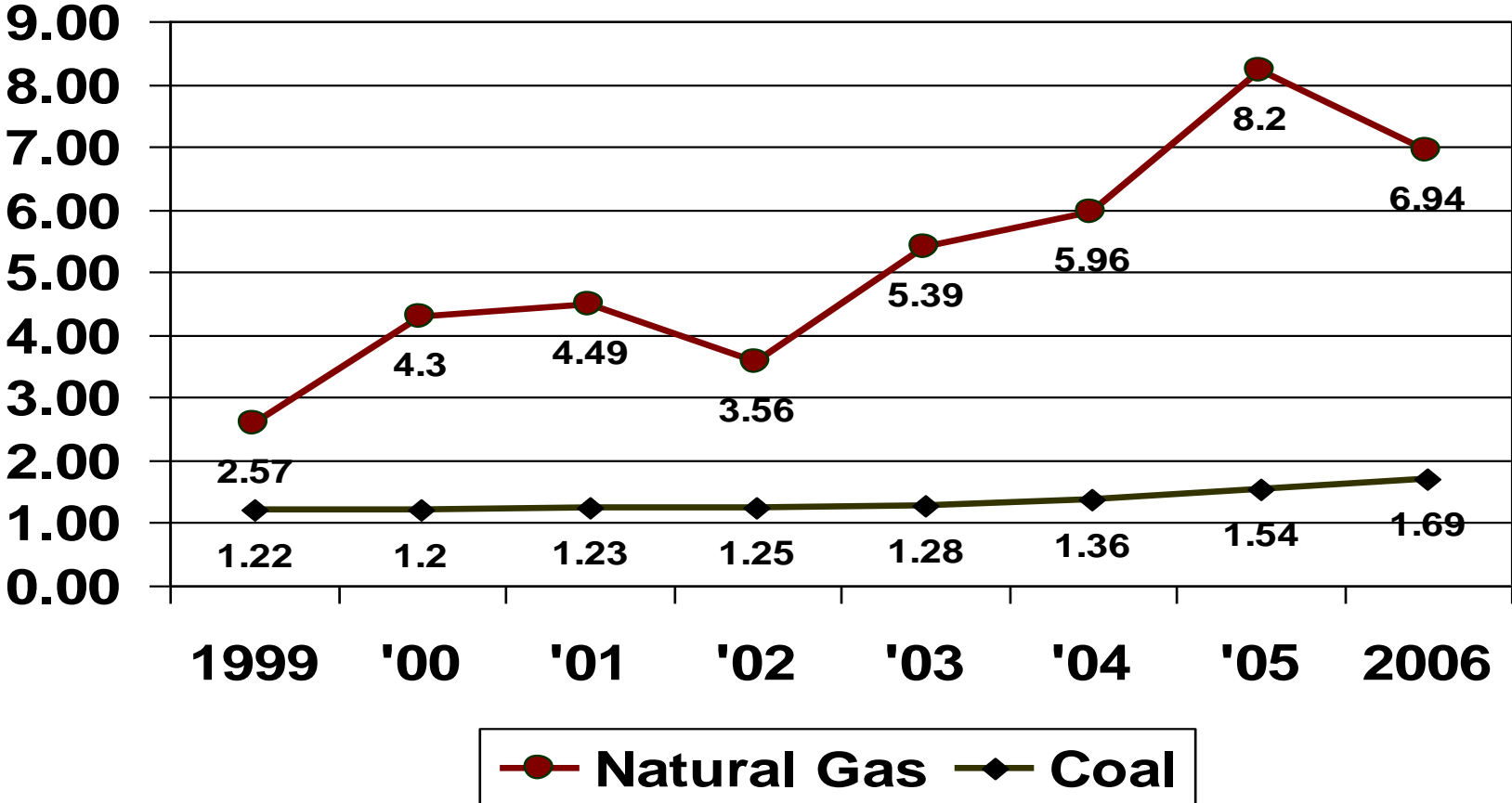
The MGA Accord Process



The Way Forward

- Coal will be part of our energy mix
- Demand will rise beyond capabilities of conservation/efficiencies
- Grid Reliability
- Clean Coal Technology
- Carbon Capture & Sequestration

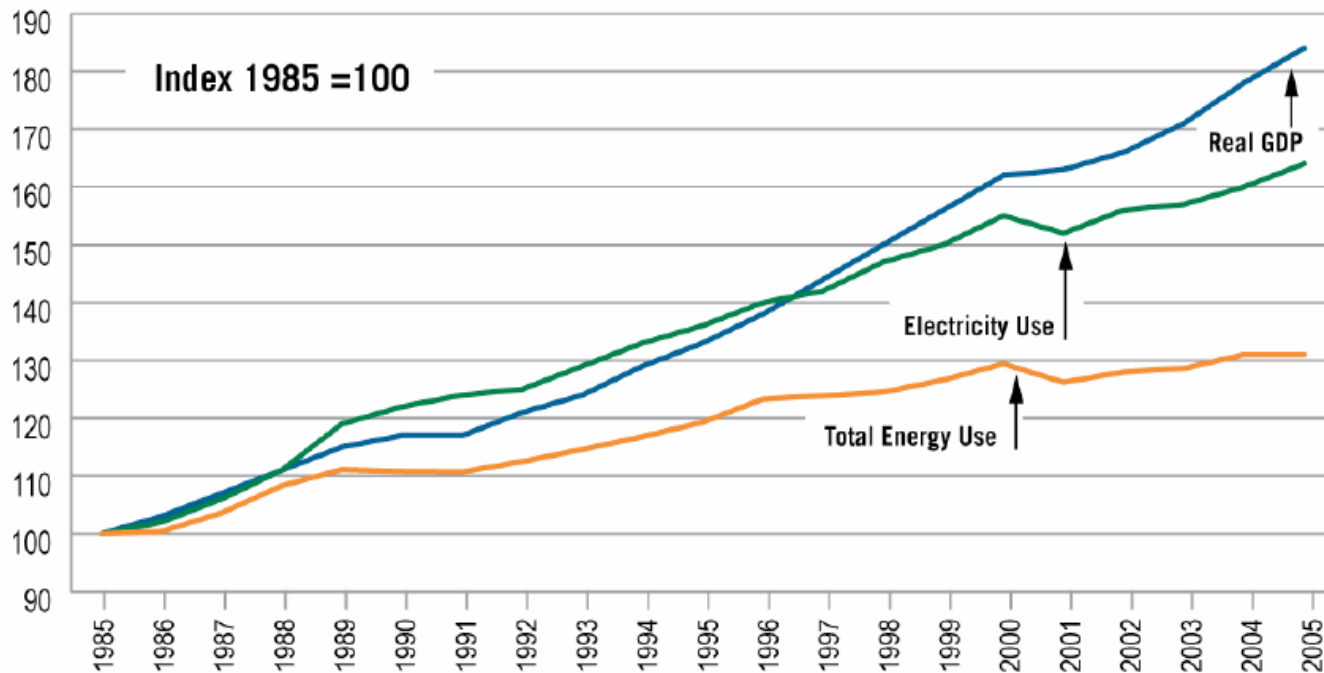
Coal and Natural Gas Prices



Source: Table 9.10 Cost of Fossil-Fuel Receipts at Electric Generating Plants (Energy Information Administration/Monthly Energy Review April 2007)



U.S. Economic Growth Is Linked To Electricity Growth



1985 represents the base year. Graph depicts increases or decreases from the base year.

Source: U.S. Department of Energy, Energy Information Administration (EIA).

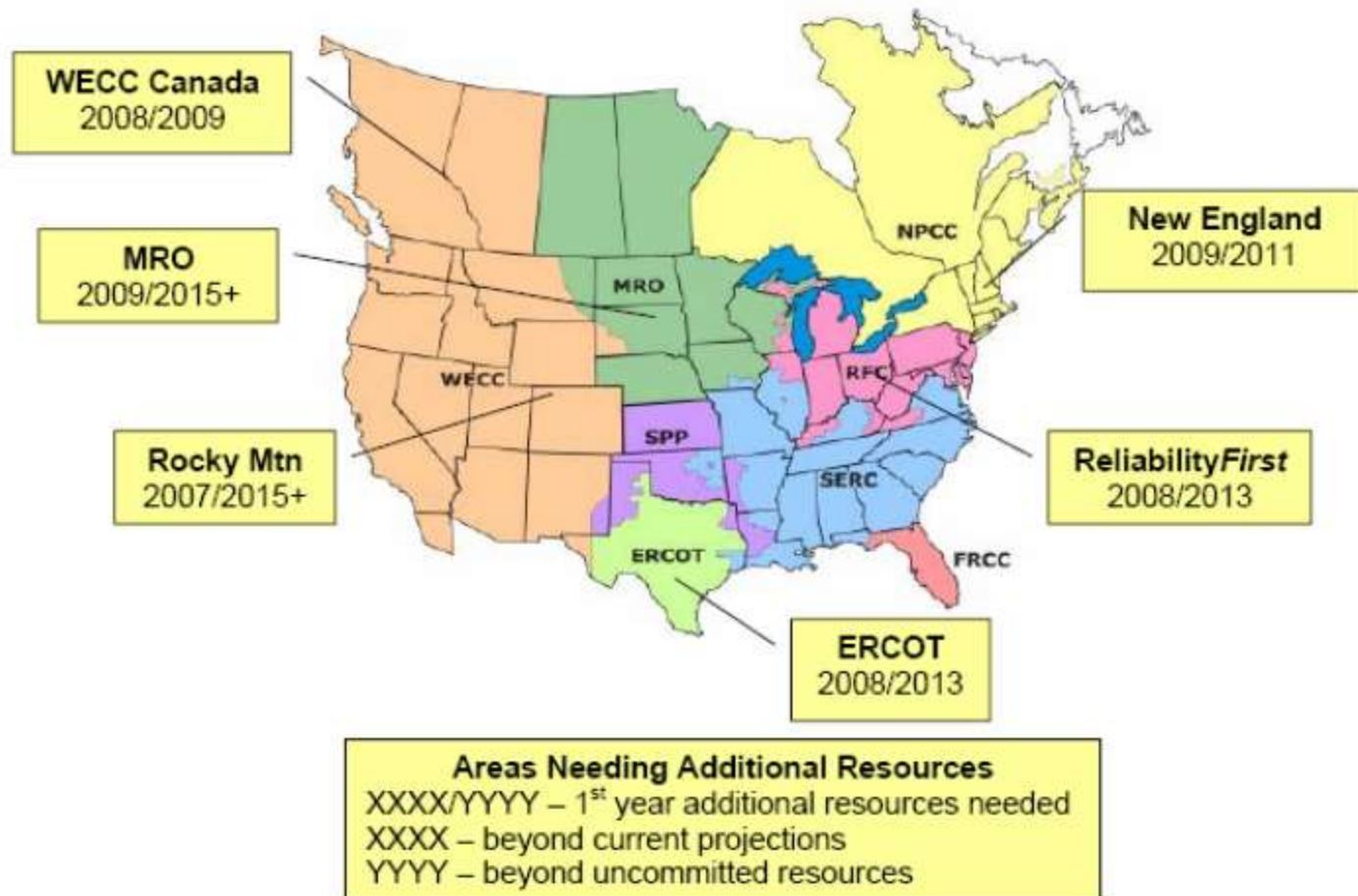
Price Matters

- 61 million households earn less than \$50K each year. They will devote an average of 18% of their after-tax income to energy

Source: Americans for Balanced Energy Choices, 2007

Capacity Margins

**Electricity Supply Margins
Projected to Fall Below Minimum Target Levels
in Some Areas of North America in Next 2–3 Years**

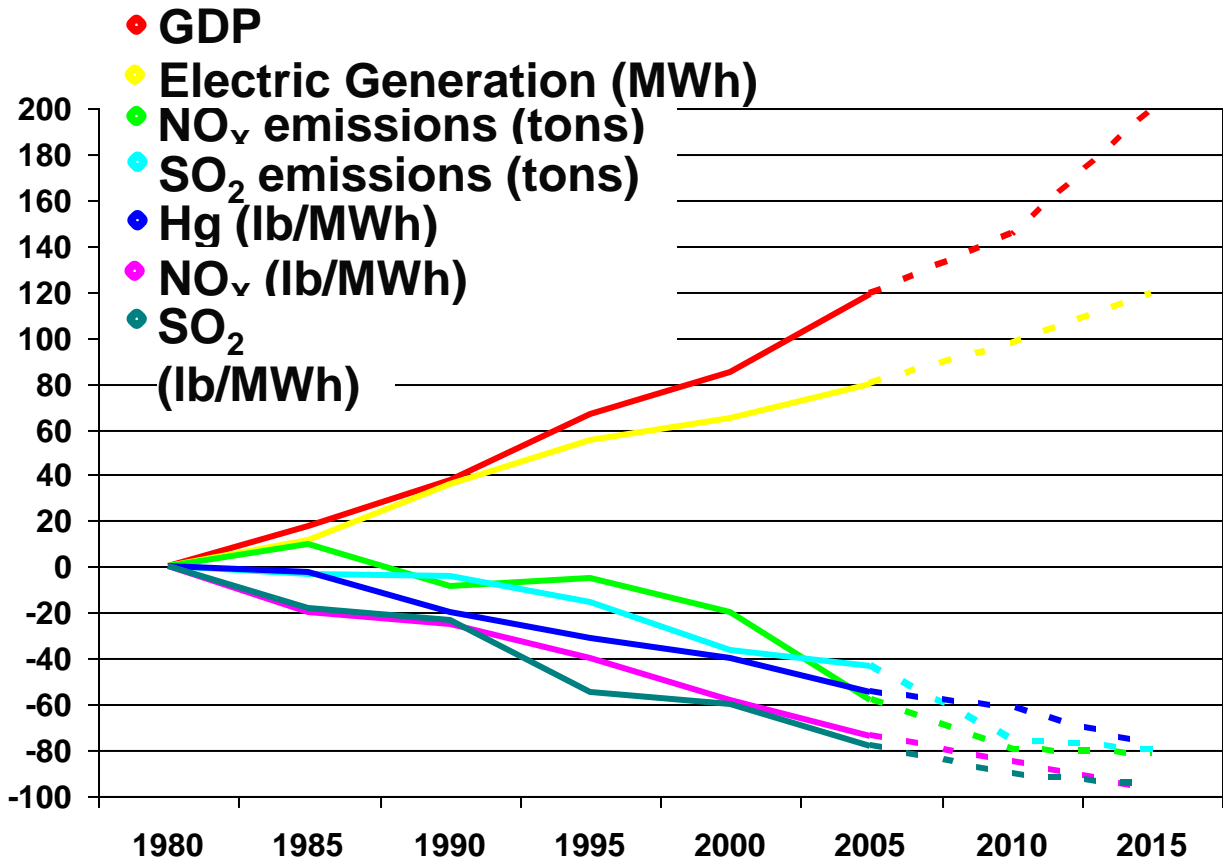


Clean Coal Technology



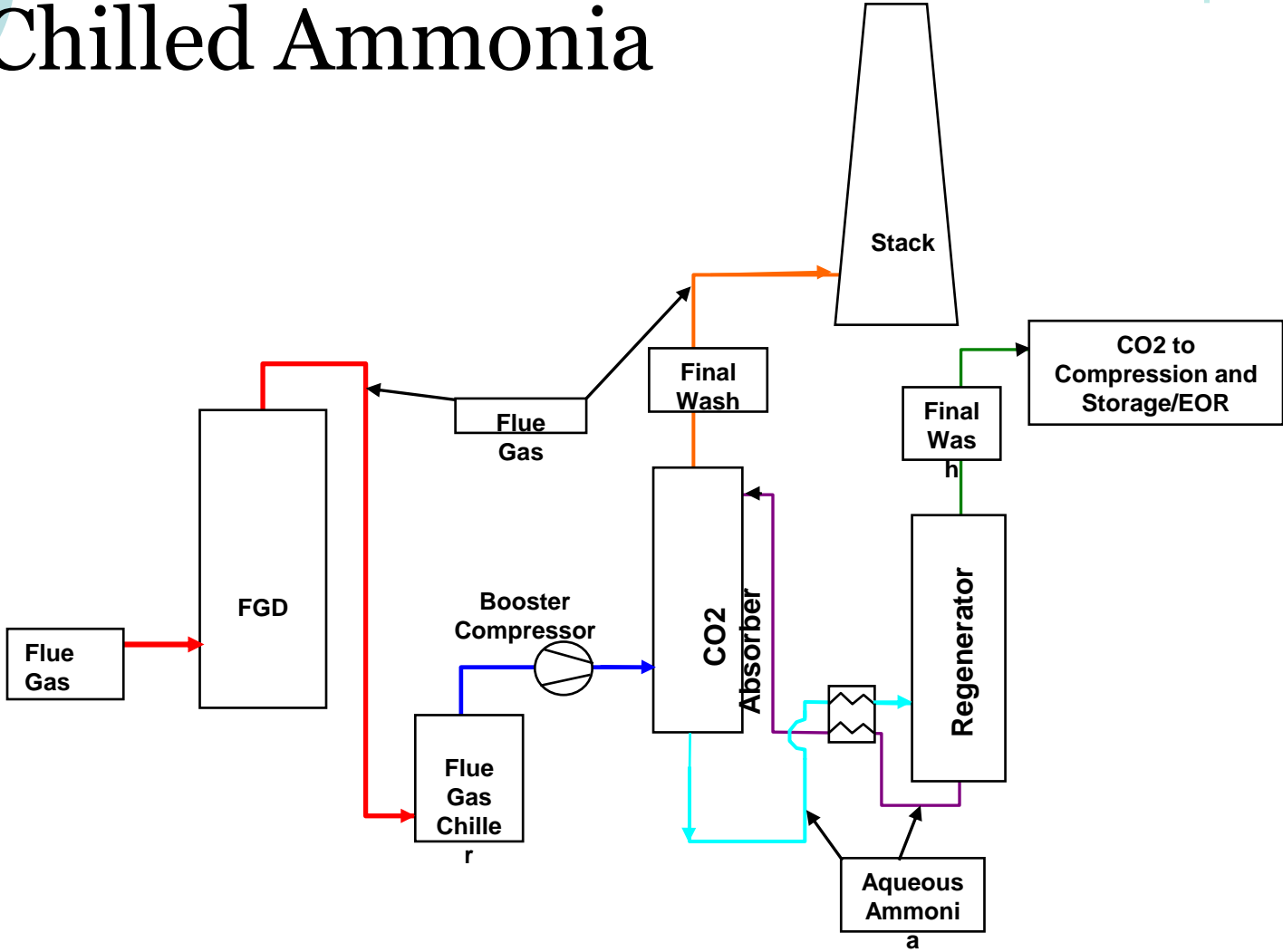
Environment

Percent Change (1980 Baseline)



Source: EIA, EPA, and Clear Skies Act of 2005

Chilled Ammonia



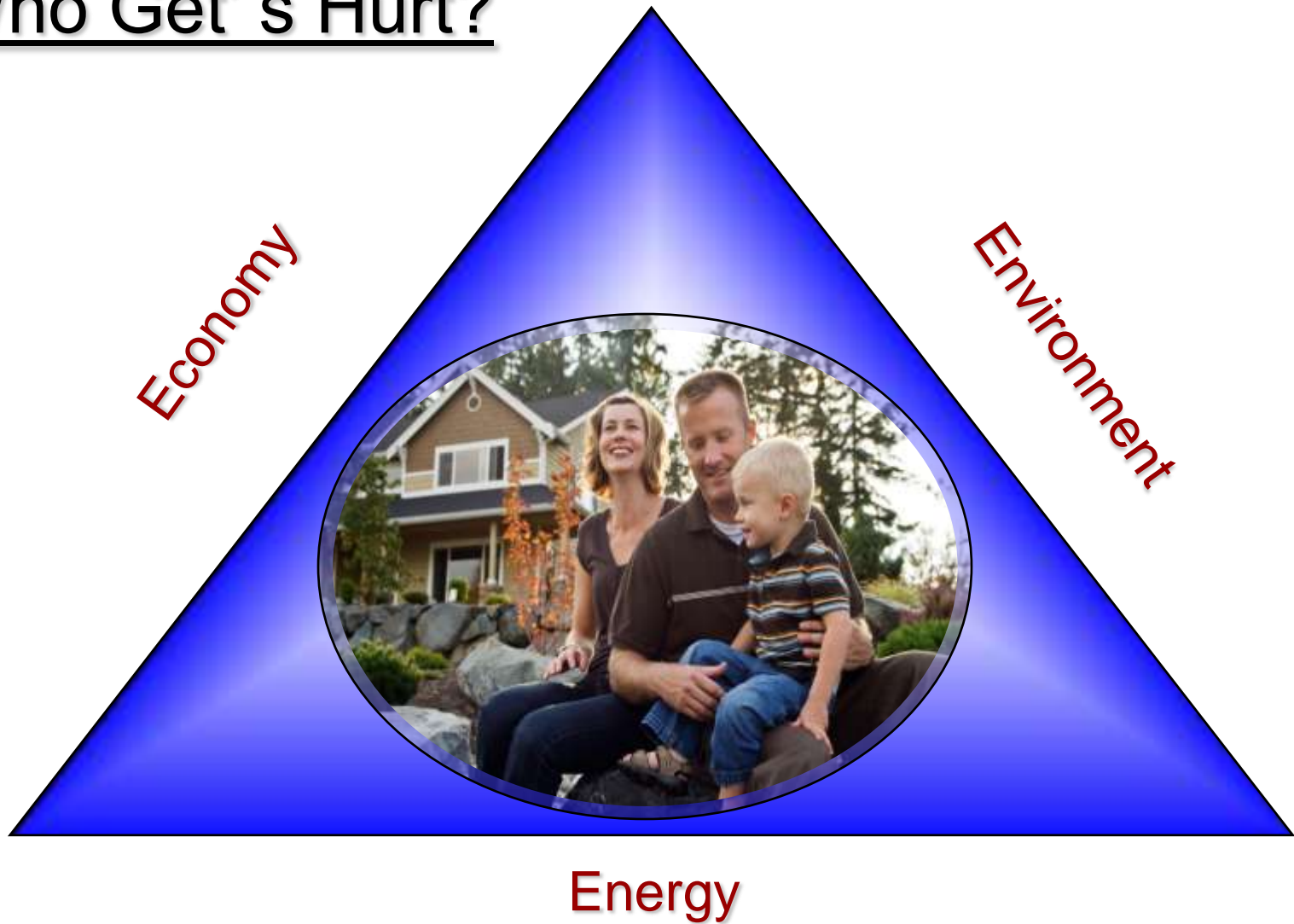
Carbon Capture and Sequestration

- Active Demonstrations Underway
- Long Term Research Needed To Assess Costs
- Transportation Issues

What Can You Do?

- Carry the Message!
- Because it's Political: *Common Sense Measures*
- Larger measures deserve careful study: *Rates and Reliability*

Who Get' s Hurt?



Scott Wiseman, Vice President Midwest Region

American Coalition for Clean Coal Electricity

703/302-1217

swiseman@cleancoalusa.org