

## **Ferguson: Energy Matters**

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### **“No Coal” Says California**

The state’s recently enacted global warming legislation, AB 32, has received an enormous amount of media hype. It’s the kind of Grand Gesture of which Sacramento politicians are inordinately enamored. A second bill barely shows up on the radar screen but may turn out to be much more significant. In a nutshell, SB 1368 by Senate pro tem Don Perata (D-Oakland) says that California utilities may not make long-term commitments to buy electricity generated from burning coal.

The state’s dependence on coal-fired power from out-of-state plants cannot continue to increase if our global warming goals are to be met. But rules to implement these goals are many years away, and who knows what they will be? Senator Perata’s enacted bill jump starts this process.

SB 1368 prohibits any utility, including publicly owned ones, from entering into “a long-term financial commitment” to acquire electricity from power plants that emit more carbon dioxide than a new combined cycle natural gas-fired plant. The coal industry had been salivating at the thought of providing electricity for California’s rapidly growing population. The so-called “Frontier Line”, a power line from the coal fields of Wyoming to Las Vegas and Los Angeles, was proposed to deliver this power. Perata’s bill puts the kibosh on such fantasies.

Coal’s hopes won’t die quickly, however. Prominent developers are already trying to find loopholes. One can imagine several – after all, one kilowatt-hour of electric energy is pretty much the same as every other. Electricity is typically sold and resold many times before turning into heat in your toaster.

Nevertheless, agencies charged with overseeing SB 1368’s enforcement should have little trouble making the rules stick given its clear intent. New coal-fired power plants aren’t cheap. Wall Street will not pony up the capital needed to build one on

the off chance that the owner will be able to sneak around California's law.

The legislation does provide an avenue for the coal industry if it begins to understand the seriousness of the global warming problem. The does not prohibit coal as a fuel but rather the emission of greenhouse gases, including carbon dioxide.

A few coal-fired new power plants on the drawing boards can capture the energy in coal without simply burning it. The CO<sub>2</sub> generated in the process can be captured and "sequestered" more or less forever by pumping it back into depleted natural gas wells, for example.

Even before the bill was signed, California utilities had abandoned plans for using more coal-fired power. The writing on the wall has been clear for some time to anyone paying attention.

The danger is that utilities will simply continue to burn more natural gas. Modern gas-fired plants emit about half the carbon dioxide that even the best conventional coal plants release. But the state cannot meet its global warming goals if utilities burn increasing amounts of natural gas, either. The switch away from fossil fuels must be accelerated to cool global warming.

Alas, the state's renewable energy program is not going well. Despite a press release this week from the CPUC touting their record, the fact is that success to the bureaucrats means the signing of contracts by utilities rather than kilowatt-hours in the grid.

A large percentage of the energy in these contracts is supposed to come from technologies that have never even been demonstrated on a commercial scale. Another chunk is with flaky companies with no track record at all. I predict that much of the electricity energy in the vaunted contracts will never make it into the wires.

There is only one way to solve this problem, which I have pointed out to the CPUC many times – judge utility performance on energy actually delivered (as the law requires) rather than on promises.

But I digress... Perata and his staff produced a very meaningful piece of legislation, and Arnold has signed it. It's seldom that Sacramento speaks with such clarity. California said "NO" to coal.

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