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Utilities are reluctant to invest in coal plants, even after Trump tries to save them

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Utilities are expressing little interest in the Trump administration’s bid to help keep their coal plants alive, remaining committed to providing energy from cleaner and cheaper sources such as natural gas, wind, and solar.

The Environmental Protection Agency proposed a rule Aug. 21 to replace President Barack Obama’s Clean Power Plan — his signature climate change initiative, targeting carbon pollution from coal plants — with a more modest measure designed to encourage plants to invest in efficiency upgrades that would allow them to burn less pollution, and exist longer.

But no utilities contacted by the *Washington Examiner* said they would commit to improving their coal plants, or re-evaluate planned coal plant retirements because of the Trump administration's new rule, known as Affordable Clean Energy, or ACE. And none of them have plans to build new coal plants.

Instead, the utilities were eager to tout their achievements in reducing carbon dioxide emissions from coal, and their ambitions to create a modern grid with fewer polluters on it.

“Based on what we know right now, we do not have any plants whose future would be affected by the adoption of the ACE rule,” said Shannon Brushe, spokeswoman for Duke Energy, the giant utility based in Charlotte, N.C. “Any previously announced plant closures across the states we serve will continue regardless of the rule.”

For example, Duke Energy, which produces electricity for 7.4 million customers in the Carolinas and four other states, plans to retire its Asheville coal plant in western North Carolina in November 2019, replacing this generation with natural gas, a fossil fuel that cuts carbon emissions in half if transitioned from coal.

“Reducing reliance on coal, leveraging cleaner natural gas energy and expanding renewables on our system is part of our long-term investment strategy to continue to drive carbon out of our system,” Brushe said.

Ohio-based American Electric Power, one of the nation’s largest utilities, has similar views on the Trump pitch, even though it opposed the Clean Power Plan. It aims to reduce coal use from half its energy mix to one-third in the next decade, while cutting its carbon emissions 80 percent by 2050.

“AEP’s business strategy is focused on modernizing the power grid, expanding renewable energy resources and delivering cost-effective, reliable energy to our customers,” said Tammy Ridout, a spokeswoman for the utility. “That strategy will not change. Based on economics, our plans for the new generation include natural gas and renewables.”

Utility Xcel Energy, meanwhile, earned regulatory approval Aug. 27 to shutter two coal units at the Comanche Generating Station in Pueblo, Colo. a decade earlier than the company expected. Xcel Energy, one of the the nation’s leading wind energy providers, also plans to retire two coal units in Minnesota.

The EPA’s ACE rule, which is subject to public comment before being finalized, does not set a specific target to reduce carbon emissions, or force a shift in the electricity sector away from coal plants to natural gas and zero-carbon renewable energy, as the Clean Power Plan did.

Instead, it gives states the authority to write rules regulating their power plants. To reduce carbon emissions, it encourages states to allow utilities to make heat rate improvements in power plants, enabling them to run more efficiently by burning less coal to produce the same amount of electricity.

The rule also eases regulations imposed as part of the New Source Review program that force power plants to undergo new pollution reviews when they upgrade facilities, as a way to make it more economic for utilities to invest in coal.

But energy experts doubt the plan would have much impact on saving ailing coal.

“ACE as a driver of energy policy pales in comparison to market forces,” said Kate Konschnik, director of the climate and energy program at Duke University.

“Cheap natural gas prices, falling costs for renewables, and corporate and consumer demand for clean energy will continue to put pressure on coal plants, with or without this rule,” added Konschnik, who was formerly a Bush-era Department of Justice lawyer handling lawsuits against coal plants for violating New Source Review requirements.

Since 2010, nearly 40 percent of the capacity of the nation’s coal-fired power plants has been shut down or designated for closure, according to the American Coalition for Clean Coal Electricity, a trade group supporting the industry.

Coal’s portion of the electricity generation mix, which was nearly 50 percent a decade ago, is projected to fall below 30 percent this year, the Energy Information Administration said.

Many coal plants are too old to make upgrades worth investing in. Others have already done the efficiency work EPA outlines in its proposal, experts say. In addition, the rule won't be implemented for years, and will be contested in court, meaning coal plants may die prematurely.

Under the ACE rule, states have three years to develop a plan to submit to the federal government, and EPA has a year to approve them, extending the implementation timeline to 2022.

"The number of plants that have the economics to invest in these upgrades within five to 10 years is very small," said Alison Silverstein, an energy consultant and former staffer to the Federal Energy Regulatory Commission.

Silverstein said that in states with competitive power markets, such as PJM Interconnection, which operates the power grid for 65 million people in 13 states from Illinois to Virginia, coal is likely to continue to lose out in auctions that reward the lowest cost resource.

Yet the rule could inspire some coal plants, depending on who owns them, and where they are located, to become more efficient, and stay alive.

So-called vertically integrated utilities that own all levels of the electricity supply chain — generation, transmission, and distribution — may be more likely to spend on coal plant upgrades.

That's because these utilities can pass the cost of upgrades to ratepayers' bills.

One of the best-known of these utilities, Atlanta-based Southern Company, would not say if it will invest more in coal because of Trump's new rule until it has more time to review the proposal.

The utility noted that it has reduced carbon emissions by 36 percent since 2007, mostly by switching from coal to gas. It currently derives 30 percent of its electricity from coal and 46 percent from natural gas.

“Southern Company is committed to providing clean, safe, reliable and affordable energy, while transitioning towards low- to no-carbon operations by 2050,” said company spokesman Schuyler Baehman.

Investments in coal that raise rates would require approval from state regulators, who are tasked with keeping costs down, and may be skeptical of coal upgrades if the cost of gas and renewables remains low.

“If natural gas prices stay low, then the proposed New Source Review change likely won’t be enough by itself to keep many coal plants alive,” said Brian Potts, an energy and environmental attorney at Perkins Coie, who has defended utilities against New Source Review enforcement. “If gas prices rise, however, it could help extend many coal plants lives.”

Trump EPA’s coal plan could be most beneficial for smaller utilities, like co-ops that provide energy to rural consumers.

These utilities aim to keep rates as low as possible because many of their users are low-income, and it would cost less to upgrade an existing coal plant than to invest in a new facility.

“Several of our members have indicated they may have an opportunity to improve the efficiency of their plants,” said Kirk Johnson, senior vice president of government relations, at the National Rural Electric Cooperative, a trade group representing more than 900 co-ops in 47 states. “To the extent our folks can operate more efficiently, that is good for our consumers by saving them money.”

Among its members, coal represents a higher percentage of the electricity mix as compared to other providers, at about 41 percent, although it is increasingly shifting to natural gas and renewables in a “carbon-constrained” world, Johnson said.

In addition to co-ops, utilities serving a handful of coal-friendly states such as Kentucky and West Virginia may be more likely to improve their coal plants. But most states have mandatory renewable energy portfolios requiring less carbon use.

“There are a lot of states that will use the power the EPA gives them to continue to beat down coal generation, which mitigates whatever benefits the New Source Review reforms might bring,” said Kenny Stein, director of policy and federal affairs for American Energy Alliance, an industry-friendly group.

Coal supporters are modest about what the Trump administration’s new coal rule can achieve for them.

“Revising the Clean Power Plan is necessary, but not sufficient,” said Michelle Bloodworth, president and CEO of the American Coalition for Clean Coal Electricity. “I don't think it will bring back coal, but I would hope it would postpone the impact it has on future retirements.”