

# Strange Happenings at Useless FERC.

January 13, 2018



We are not used to FERC acting on its own with any kind of self direction, initiative or independence. For this reason it is unusual to read that this agency is [opposing President Trump's push for coal](#).

As it says below, the reasons appear to be economic rather than environmental, so we are not by any means praising this useless, self-serving agency. Even though the reasons are wrong we are glad to see the coal go, and we have no remorse for any discomfort the industry may experience. Viewed with optimism, this may bring us one step closer to sustainable energy.

This report is found in the [Institute for Energy Economics and Financial Analysis](#) and can be seen [here](#).

Comments by OSFR historian Jim Tatum.

-A river is like a life: once taken, it cannot be brought back-

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[David Schlissel](#) January 9, 2018 [Read More →](#)

## **IEEFA Update: Markets Speak Louder Than Words – Federal Regulator Rejects U.S. Plan to Subsidize Coal and Nuclear Plants**

### **Trump's Own Panel Says Grid is Operating Reliably as More Renewables and Natural Gas are Added**

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The Federal Energy Regulatory Commission's (FERC) [stunning decision yesterday](#) to reject Department of Energy Secretary Rick Perry's plan to subsidize operations of financially vulnerable coal plants shows just how powerfully energy markets in the United States are shifting. FERC said the evidence does not support Perry's claim that retiring more coal and nuclear plants would jeopardize the reliability of the nation's electricity grid.

The decision spells more long term trouble for many currently-operating coal-fired power plants and is further proof that the

retirement of 100 of gigawatts of coal-fired power since 2010 has been caused mostly by market forces, not environmental regulation. The low natural gas prices and increasing use of renewable resources that have undermined the financial viability of many coal plants led the industry to ask its friends in the Trump administration for a bailout to help failing plants. The industry must be really frantic now that FERC has rejected its plea.

Coal's overall share of energy generation in the U.S. fell from 50 to just over 30 percent between 2008 and 2016. As I outlined in an article for the [Oxford Institute for Energy Studies' recent examination](#) of what's next for U.S. energy policy, this sea change is being driven by some simple economic facts, among them:

- Increased competitiveness of natural gas, with efficient natural gas-fired combined cycle (NGCC) plants now setting market prices after sharply increasing their market share in the last 15-20 years. 81 GW of new NGCC capacity is expected to come online in the next four years.
- Increased market penetration of wind and solar, which saw a five-fold increase between 2008 and 2016. Installation costs for wind and solar projects have decreased in the last ten years, with wind installation costs falling by 33% between 2009 and 2017 and utility-scale solar installation costs falling by 2/3 over the last decade. Improved design and performance of renewable utilities means that even without the subsidies provided by investment tax credits, purchase agreement costs for renewable projects are expected to drop substantially. (By the early 2020's, unsubsidized wind generation is expected to cost between \$20-30/MWh and solar generation between \$30-40/MWh.)
- Recent commitments to 100% renewable-generated power from

large U.S. corporations like Google, Walmart, Facebook, Mars and Nestle will help drive demand, with a 10-50 GW increase of direct purchase of renewable-generated energy expected in the next 5-7 years. In 2016, the U.S. gross national product grew by 1.6% while energy consumption fell by .2%, an unprecedented uncoupling of economic growth from energy consumption. These trends bode well for demand patterns supporting renewables.

- Over 90% of current coal capacity is 20 years old or older, and over 50% is 40 years or older, meaning that operating costs for aging coal plants will continue to rise.

President Donald Trump's campaign trail promises to revive America's struggling coal industry and create new mining jobs have failed to materialize. While coal-fired plants did increase output by 5% in the first half of 2017 compared to 2016, recent Department of Energy data showed this growth was not sustained. Coal-fired generation through October 2017 was 2.1% lower than the first ten months of 2016, a figure that does not argue for any, let alone a long-term, recovery for coal. And U.S. utilities have already announced plans to retire more than 15,000 MW of coal capacity, just in 2018.

*Another excerpt from the writing on the wall for energy markets.*

Any long-term bailout for coal would necessitate viable and affordable carbon capture and sequestration (CCS) technologies, something the U.S. is nowhere close to achieving. Industry experts have estimated that adding CCS technology to existing coal plants would raise generation costs by 60-80%, making an inefficient industry more inefficient. The recently completed Kemper plant in Mississippi, which was supposed to capture CO<sub>2</sub> and pipe it for use in enhanced oil recovery went substantially

over budget, resulting in decisions to not use the plant for CO2 capture after all. As a result, Kemper is now a \$7 billion plus natural gas fired plant that could have been built for \$5 billion less.

CCS as it currently stands is neither technically nor economically feasible for existing coal plants. The only feasible way to reduce greenhouse gas emissions from coal plants is to not operate them and to use renewable resources and energy efficiency in their place.

Last February, Bloomberg New Energy Finance's Head of the Americas Ethan Zinder stated "We don't foresee any major comeback for coal anytime soon... That's going to be a difficult transition for a lot of folks... but this is a transition, this is a modern economy, and this is displacement." Secretary Perry's failed bailout is just one more way the writing is on the wall for energy transition.

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