

The Demand for Coal Heats Up

Surging oil prices have fueled calls for the United States to develop new sources of affordable and secure domestic energy. While renewable energy – especially biofuels, wind power, and solar technologies – is an area of particular interest, researchers from the Earth Institute at Columbia University say that the U.S. already has relatively low-cost alternatives to imported oil, including coal. These resources can be extracted and used at a lower cost to the environment than some might expect.

In a report published in the most recent issue of Brookings Papers on Economic Activity, Klaus S. Lackner and Jeffrey D. Sachs argue that “coal alone could satisfy the country’s energy needs of the twenty-first century.” They say that “coal liquefaction or the process of deriving liquid fuels from coal, is already being used in places and with expanded infrastructure could provide gasoline, diesel fuel and jet fuel at levels well below current prices.”

Sachs and Lackner make a case that because the U.S. has large coal deposits -- the most extensive in the world -- it would be less vulnerable to political uncertainties in other parts of the world.

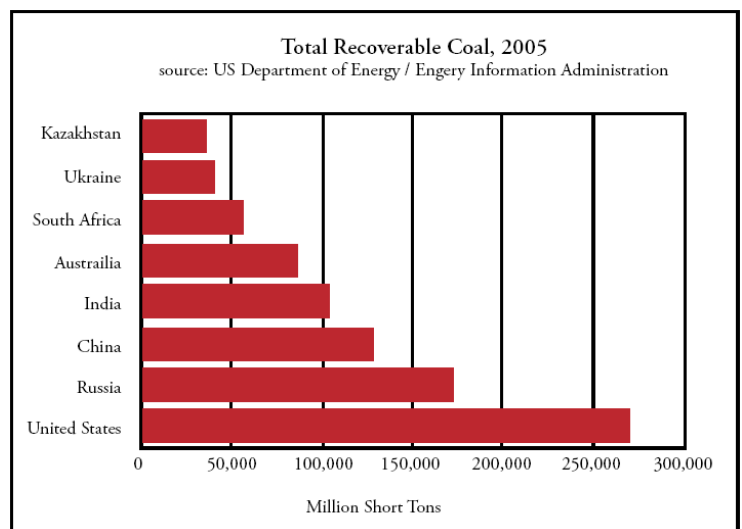
The United States sits atop 27 percent of the world’s reserves of coal. Ninety percent of the coal produced in the country is used to generate electricity.

“Half the U.S. electric grid today is powered by coal,” says James Rollyson, a coal industry analyst in the Houston office of Raymond James Financial Inc. “It’s still the cheapest fuel. We have a lot of it. We don’t have to import it. And it can be used relatively cleanly, so why wouldn’t you use it?”

In a 2006 report, Kiplinger’s Personal Finance called coal “the new black gold,” noting that the stock price of U.S. coal producers has left major oil companies in the dust despite record oil and gas prices. ExxonMobil Corp.’s shares, for example, gained 37 percent between 2004 and 2006, while shares of St. Louis-based Peabody Energy Corp. -- the largest coal producer in the world -- quadrupled.

Kiplinger’s also singled out Houston-based Natural Resource Partners LP. Although not a coal producer, the company makes its money from royalties on coal produced from land it owns. NRP’s dividends have increased for 11 straight quarters.

Even so, he says, “The economic picture indicates that coal will work to fill the gap as a utility fuel for the next 20 to 30 years. And it can be turned into clean liquid fuels, too, which are the equivalent of natural gas and are competitive at today’s gas prices. This will drive the demand for coal. Electricity consumption in the United States is projected to grow 44 percent by 2020. Coal has enabled America’s electric utilities to keep up with this increasing demand. The use of coal for generating electricity has nearly tripled in the last 30 years.



U.S. coal facts

- The United States has the largest coal reserves in the world -- more than 27 percent of the world's known supply.
- Ninety percent of coal produced is used in electricity generation.
- Coal fuels more than 50 percent of all electricity generated, with nuclear power accounting for 20 percent and natural gas for 18 percent.
- There are 275 billion tons of recoverable coal reserves, enough to last 250 years.
- Annual demand for coal is 300 million tons. In 2005, a record 1.13 billion tons of coal was produced.
- Projection: 87 gigawatts of new coal-fueled generation facilities will be constructed by 2025

Coal provides an attractive energy source as it is:

- Abundant-many countries have extensive reserves of coal; it is mined in more than 50 countries.
- Safe-coal is stable and the safest fossil fuel to transport, store and use.
- Secure-coal users are guaranteed security of supply at competitive prices due to abundant reserves; hence electricity supplies for industrial and domestic use are assured.
- Clean-coal can now be burnt cleanly throughout the world using current technologies.
- Cost-effective-globally, coal is a competitive fuel for the generation of electricity and is the major energy source for power generation. Without coal, modern life would be virtually impossible.

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