

SCR

45

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of \_\_\_\_\_ 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

\*\*FISCAL NOTE(S) ATTACHED \_\_\_\_\_ \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)  
2/10/88

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

Resources \_\_\_\_\_ Committee considered \_\_\_\_\_ SCR 45

Encouraging the state to join the Clean Coal Technology Coalition and assist acceptance of state projects in the clean coal technology program.

and recommend:

- replace with CS \_\_\_\_\_  same title
- attached amendment(s) and  new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_
- letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Handwritten signatures]*  
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*[Large handwritten signature]*  
 \_\_\_\_\_  
 Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: SCR 45  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: SCR 45 Clean Coal Technology  
Coalition  
Sponsor: Coghill, et. al  
Requestor: Senate Resources

Agency Affected: DNR  
BRU: Minerals Management  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

This resolution has no cost of implementation; however, membership to the Clean Coal Technology Coalition requires an annual fee of \$10,000 plus additional operating costs.

Prepared by: Lawrence Ostrovsky Phone: 465-2400  
Division: Commissioner's Office Date: 02/29/88

Approved by Commissioner: *Lennie Gornik* Date: 2-29-88  
Agency: \_\_\_\_\_

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

# Alaska State Legislature

## Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman  
Sen. Paul Fischer, Vice-Chairman  
Sen. Lloyd Jones  
Sen. Arliss Sturgulewski  
Sen. Jim Duncan  
Sen. Fred Zharoff  
Sen. Dick Eason

Box V  
Juneau, Alaska 99811  
(907) 465-1907

### M E M O R A N D U M

To: Senate Resource Committee Members

From: Senate Resource Committee Staff *ALG*

Subj: SCR 45; Encouraging the state to join the Clean Coal Technology Coalition and assist acceptance of state projects in the clean coal technology program.

Date: February 29, 1988

This resolution has two resolve clauses. The first encourages the state to join the Clean Coal Technology Coalition. Annual membership for the Coalition is \$10,000.00, but resolutions are not binding on the administration so you will find a zero fiscal note in your packets. The second resolve requests the state's department of natural resources to assist projects in the state, that are seeking research and development funds from the federal Clean Coal Technology Reserve Fund.

You will find in your packets:

1. Senator Coghill's Sponsors Statement
2. DNR Position Paper and Zero Fiscal Note
3. A letter from the Clean Coal Technology Coalitions Chairman, R.E. Disbrow (President and CEO of American Electric Power Service Corporation); to Curtis McVee, Executive Director of the Alaska Miners Association. This letter includes a goals and objectives paper and list of current members.
4. Two articles by Dr. John Sims entitled:
  - 1) "Despite oil wealth, Alaska is a 'coal state'"  
Fairbanks Daily News-Miner, Sept. 29, 1987
  - 2) "Alaska can cash in on 'clean coal' studies"  
Fairbanks Daily News-Miner, Feb. 9, 1988

# Alaska State Legislature

## Senate Resources Committee



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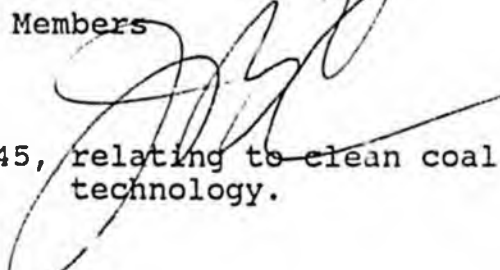
### MEMORANDUM

To: Senate Resource Committee Members

From: Senator Coghill

Subj: Sponsor Statement on SCR 45, relating to clean coal technology.

Date: February 29, 1988



I introduced this resolution shortly after being made aware of the federal program to develop technologies that result in "clean" emissions from coal fired power plants. Alaska already has clean burning coal, but a technological problem that needs to be solved is the high water content which reduces the BTU output of Alaska coal. It takes special equipment to dry Alaska coal, so this decreases our coals marketability. If Alaskan projects, looking to solve these problems, can qualify for federal research dollars we could see an increase in demand for Alaska coal in pacific rim markets. Not only would Alaska research projects create jobs but so would the long term development of coal resources for export.

I urge your support on this concurrent resolution.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.  
JUNEAU, ALASKA 99801-1796  
PHONE: (907) 465-2400

February 29, 1988

The Honorable Jack Coghill  
Chair, Senate Resources Committee  
P.O. Box V  
Juneau, AK 99811

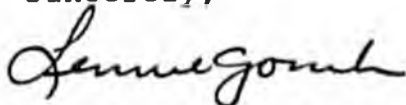
Dear Senator Coghill:

Subject: SCR 45, Encouraging the state to join the Clean Coal Technology Coalition.

Background: This resolution requests the Governor to seek state membership in the Clean Coal Technology Coalition and directs the Commissioner of DNR to seek qualification in the Clean Coal Technology Reserve Fund.

Position: The department believes that a commitment to research directed at adding value to Alaska's coal, for example in coal drying technology, would be a significant component of the state's coal policy. The Clean Coal Technology Coalition provides the best avenue to receive federal funds through the Department of Energy for such research. As a resolution, this bill has no cost of implementation. However, participation in the Clean Coal Technology Coalition requires an annual fee of \$10,000 plus additional operating costs. This amount is not reflected in the department's current priorities.

Sincerely,



Judith M. Brady  
Commissioner

cc: Rod Swope  
Bob Evans

American Electric Power  
Service Corporation  
1 Riverside Plaza  
Columbus, OH 43215



December 7, 1987

R. E. Disbrow  
President and  
Chief Operating Officer  
614 223 1400

Mr. Curtis McVee  
Executive Director  
Alaska Miners Association  
501 West Northern Lights Blvd.  
Suite 203  
Anchorage, Alaska 99503

Dear Mr. McVee:

I recently assumed the Chairmanship of the Clean Coal Technology Coalition, an ad hoc group of utilities, coal producers, manufacturers, industrials, state governments, universities and others interested in advancing the use of clean coal technologies. As one whose company is committed to the development of these technologies, I urge you to join this Coalition.

As you may know, the Coalition has enjoyed significant success. Since its organization in early 1985, a \$750 million Clean Coal Technology Reserve Fund has been created to support the development of clean coal technologies; Congress has appropriated nearly \$400 million from that Fund; and the Department of Energy has already awarded federal monies to several projects proposing to demonstrate new clean coal technologies. As a result of the Coalition's efforts this year, Congress is on the verge of appropriating more funding for a second round of clean coal technology projects that would be jointly funded by the private sector and the federal government.

On the Administration front, the Coalition is working with the President's Task Force on Regulatory Relief, chaired by the Vice President, to develop recommendations for changes to existing regulations that will encourage the use of clean coal technologies by the utilities and others.

Another important Coalition initiative has been our participation in the development of legislation introduced by U.S. Senate Majority Leader Robert C. Byrd that would

help to overcome financial and regulatory risks associated with the early commercial deployment of clean coal technologies. The Senator's bill provides \$3.5 billion, over the next ten years, for further cost-shared demonstrations of clean coal technologies and removes federal regulatory disincentives in order to encourage utilities to deploy these technologies. In March of 1987, the President requested that Congress provide a total of \$2.5 billion to the clean coal program to honor a commitment made by this country to Canada to implement recommendations of the two countries' special envoys on acid rain. We are on the verge of obtaining a major national commitment to the development of clean coal technologies.

Continued Congressional and Administration support for the clean coal program, however, is dependent upon a strong private sector commitment to incorporate these important technologies into the commercial marketplace. Membership in the Coalition and participation in the pursuit of the Coalition's ambitious agenda for 1988 are the best, most productive and most visible means of demonstrating that commitment to key leaders in Congress and the Administration.

We can ill afford to depend on others to shoulder the entire burden of advancing these technologies. Senator Byrd, one of the staunchest opponents to enactment of acid rain control legislation and one of the strongest proponents of clean coal technology development, must have our help -- our commitment -- to demonstrate a private sector commitment and to assist in maintaining and enhancing the federal government's efforts toward providing responsible and cost-effective assistance to encourage development and use of promising clean coal technologies.

I have enclosed additional material about the Coalition that I hope you will take a few minutes to review. If you require any further information, I hope you will get in touch with either Ben Yamagata, the Executive Director of the Coalition, or Kateri Callahan, the Executive Assistant to the Coalition.

I look forward to hearing from you and, on behalf of the members of the Coalition, I greatly appreciate your consideration of this matter.

Sincerely,



R. E. Disbrow

Enclosures

## **IMPORTANCE OF MEMBERSHIP IN THE CLEAN COAL TECHNOLOGY COALITION**

This broad-based, national coalition is the only group organized exclusively to advance the demonstration and widespread use of emerging clean coal technologies. The Clean Coal Technology Coalition's important activities in 1987 and 1988 include:

### **SEEKING FEDERAL FUNDING TO SUPPORT TECHNOLOGY DEMONSTRATIONS AND COMMERCIAL DEPLOYMENT:**

The Coalition was instrumental in the creation of the Department of Energy (DOE) clean coal program which is currently funded at nearly \$400 million dollars. The Coalition is seeking another \$850 million appropriation for the program to be available for use in fiscal years 1988 and 1989. The Coalition seeks to involve the federal government in helping industry to overcome the financial and regulatory barriers associated with the early commercial deployment of immature clean coal technologies. We advocate enactment of legislation that would establish a \$3.5 billion, ten year program to cost-share commercial-scale demonstrations of clean coal technologies with private industry.

### **SEEKING FEDERAL REGULATORY CHANGES TO ENCOURAGE COMMERCIAL USE OF EMERGING TECHNOLOGIES:**

The Coalition also supports legislation, now pending in Congress, that would provide regulatory relief at the federal level to utilities to encourage their participation in the early commercial deployment of these technologies. The Coalition is also working with the President's Task Force on Regulatory Relief to support modifications to current regulations that now impede use of these technologies.

### **ASSURING STATE REGULATORY SUPPORT:**

The Coalition is working to assure that clean coal technologies are a high priority on individual state's energy agendas, and to convince state regulatory bodies that the use of clean coal technologies is beneficial to ratepayers and the state's overall economy. A major focus of the Coalition for 1988 is likely to be a program intended to persuade states to remove existing regulatory barriers to the use of these technologies, thereby encouraging utilities within the state to undertake clean coal projects.

### **ADVOCATING INCREASED USE OF COAL:**

The Coalition seeks to preserve coal markets and to make coal a fuel of choice for incremental capacity requirements.

### **ADVOCATING A COST-EFFECTIVE MEANS TOWARD ACHIEVING EMISSIONS REDUCTION:**

The Coalition is the principal spokesman for the rapid and widespread commercial use of clean coal technologies as the best means by which to realize the long-term, sustained emissions reductions that are sought by proponents of so-called acid rain legislation -- at a much reduced socio-economic cost to the Nation.

### **PROVIDING CONGRESSIONAL AND ADMINISTRATION INSIGHT FOR MEMBERS:**

The Coalition has gained the respect and trust of key Members of Congress and the Administration, allowing us to impact federal decisions regarding clean coal technologies.

### **PROVIDING UNIQUE MEMBERSHIP SERVICES:**

Membership dues support a number of services including monthly meetings; annual conferences in Washington, D.C.; special meetings with Members of Congress, federal and state officials; periodic newsletters, legislative and regulatory alerts; and analyses of pertinent law, legislation and regulations.

Annual membership dues for the Coalition are \$10,000.00. If preferred, dues can be paid in two \$5,000.00 increments.

# CLEAN COAL TECHNOLOGY COALITION

## MEMBERSHIP

November 6, 1987

Allied-Signal, Inc.  
Allison Gas Turbine Division, General Motors Corporation  
Amax Coal Company  
American Electric Power Service Corporation  
Arch Mineral Corporation  
Babcock & Wilcox  
Baltimore Gas & Electric Company  
Bethlehem Steel Corporation  
Centerior Energy  
Central Illinois Public Service Company  
Combustion Engineering, Inc.  
Consolidation Coal Company  
Cyprus Coal Company  
Duke Power Company  
Duquesne Light Company  
Edison Electric Institute  
Florida Power Corporation/Electric Fuels Corporation  
Florida Power & Light Company  
General Electric Company  
General Public Utilities, Inc.  
Illinois Power Company  
Indianapolis Power & Light  
Industrial Fuels Corporation  
Island Creek Corporation  
Jersey Central Power & Light Company  
M. W. Kellogg Company  
Madison Gas and Electric Company  
Metropolitan Edison Company  
MID Development Corporation  
National Coal Association  
National Lime Association  
Northern Indiana Public Service Co. (NIPSCO)  
Ohio Edison  
Oklahoma Gas & Electric Company  
Orange and Rockland Utilities, Inc.  
Peabody Holding Company, Inc.  
Pennsylvania Electric Company  
Pennsylvania Power & Light Company  
Pittsburg & Midway Coal Mining Co.  
Public Service Company of Indiana  
Sargent & Lundy  
Southern Company Services  
Southern Illinois University at Carbondale  
Texaco, Inc.  
The Commonwealth of Kentucky  
The State of Illinois  
The State of Indiana

The State of Minnesota  
The State of Ohio  
The State of West Virginia  
TransAlta Utilities Corporation  
Union Electric Company  
United Mine Workers of America  
School of Mines and Energy Development, University of Alabama  
University of Southern Indiana  
West Virginia University

# Opinion

Tuesday, February 9, 1988

## Alaska can cash in on 'clean coal' studies

The term "clean coal" was born in the 1980s. To many it probably sounds incongruous—how, they ask, can you possibly have clean coal? How can that black dusty rock possibly qualify for such a spic-and-span, lily-white image?

Well, for starters "clean coal" is still black and what really is meant by the term is coal which has low sulfur and low ash content. Clean coal is defined as coal which contains low levels of major pollutants. Add the word "technolog," and the ballgame becomes greatly expanded.

"Clean coal technology" describes a whole spectrum of activity embracing ways of burning coal more efficiently and with much lower levels of pollution than ever before. It includes programs to retrofit existing power plants with new pollution abatement methods and focuses on technologies to process or beneficiate coal into an upgraded fuel prior to being burned. Clean coal technology is the subject of a major federal program, one which Alaska should push aggressively to participate in. The benefits could be enormous and the outlay minimal.

The CCT program is administered by the Department of Energy



Views expressed here do not necessarily represent those of the Daily News-Miner

and is currently funded at almost \$400 million. Appropriations totaling \$850 million are being sought over the next two years with the very real prospect of as much as \$5 billion being allocated before the turn of the century. Congress and the president support the program.

While much of the impetus and certainly the dollar allocations for CCT stem from the great "acid rain" debate with Canada, there are other forces at work. First and foremost is energy security and the acceptance that coal is the dominant energy source which powers our nation—a role which is increasing with time. Equally, social pressures demand that energy be produced as cleanly and safely as possible no matter what is the fuel of choice.

The CCT program is exciting because it could go far towards assuring our energy security while protecting the environment. America is on the leading edge of a whole gamut of scientific and engineering achievements which could translate to major foreign exchange earnings in the future as we sell our technology and the products of that technology to other countries. Alaska could and should be centrally involved, especially as we could be a big winner.

What's in it for Alaska, you may ask? Well, first Alaska is a coal-rich state and it is time to recognize this fact in our public policy and economic expectations. Alaska is a coal state by virtue of the fact that it contains more than 40 percent of the entire U.S. coal resource, totaling trillions of tons and enough to power our nation for thousands of years. Currently, of course, our coal potential is largely undeveloped since only one mine is in production, producing less than 0.2 percent of the total U.S. production of 900 million tons per year.

The vast resource of Alaska coal is low in sulfur compared with other major coal producing centers around the world. That low sulfur content will be recognized as an

attribute and we are seeing signs of this already in international and perhaps interstate markets. In one sense, we already have the largest resource of "clean" coal in the nation and perhaps the entire world.

In Alaska our problem is not "clean" coal but "wet" coal. The major marketing constraint affecting Alaska coal is the high moisture content of the coal—on average 27 percent for the large coal resources of the Railbelt region. High moisture lowers the heat value, or contained energy, of the coal which in turn affects the power output in plants not designed specifically to cope with the problem. To date only one plant in the Pacific-Rim, at Honam in South Korea, has been retrofitted to accept Alaska coal. There is a reluctance in countries like Japan and Taiwan to build power plants specially designed for Alaska coal. However, remove the moisture from the coal to produce a stable higher heat value product and Alaska coal could then be used in almost any current or proposed power plant. The market spectrum opens up dramatically and, because of its low sulfur, the resulting fuel would command premium prices.

Removing moisture from coal

may sound simple and uncomplicated, but in fact routine drying does not work. Moisture can be driven off quite readily but the resultant dry coal is extremely unstable, will rapidly reabsorb moisture from the air and spontaneously combust. The good news is that new coal technologies produce an upgraded fuel without the unwanted side-effects.

Thus is born an exciting opportunity for Alaska. I believe that the scope of the CCT program could be broadened to provide a federal funding source for qualifying Alaskan projects. The impetus may not be on solving the acid rain problem with our northern neighbor, but rather on cracking a market constraint which could open up enormous opportunities for Alaska as an exporter of "super coal"—a high heat value, low-sulfur fuel derived from an abundant Alaskan resource.

Part of Alaska's destiny is to supply energy to world markets. We can create opportunity—isn't that what economic development, job creation and our nation's best interests all about?

Dr. John Sims served as director of the state Office of Mineral Development and is presently vice-president of marketing for Usibelli Coal Mine.

"Rumors, quips and inside tips"

On the **INSIDE**

# Opinion

Fairbanks Daily News-Miner

Tuesday, September 29, 1987

## Despite oil wealth, Alaska is a 'coal state'

Ask the average Alaskan what is the state's most abundant energy resource and the chances are almost overwhelming that the answer will be either oil or natural gas. Sure Alaska is an oil state if having North America's largest oil field and a pipeline that carries 2 million barrels of crude a day and a governmental superstructure that is 85 percent plus dependent on the "black gold" gushing from the North Slope are the criteria.

How many characterize Alaska as a coal state like West Virginia, Illinois or Wyoming? Precious few by my reckoning despite the fact that Alaska has perhaps 40 percent of the nation's coal resource base. That resource base could be as high as 5.6 trillion tons, a modest 171 billion tons of which could be loosely regarded as mineable identified reserves.

Impressive numbers, but what do they mean? Using a rather simplistic conversion of three barrels of crude oil having the equivalent heat value of one ton of coal, the comparisons start to take on some



John Sims

*Views expressed here do not necessarily represent those of the Daily News-Miner*

meaning. That 5.6 trillion tons of coal equates to 16.8 trillion barrels of oil, while the 171 billion tons of mineable reserves equals 523 billion barrels!

Starting to grasp my point? Yes, Alaska should be thinking of itself as a coal rich state. State policies should reflect this realization and we should earnestly strategize to ensure that this super abundance of fossil energy is wisely used.

Consider the position of our coal industry today. Basically it is represented by one producing mine at Healy and the future prospect of additional mines on the western side of Cook Inlet and in the Mata-

nuska Valley near Palmer. Annual production from Usibelli Coal Mine runs at about 1.5 million tons with short, medium and long-term potential to expand both domestic and export markets. That annual production of 1.5 million tons, while impressive to most people, is less than two-tenths of 1 percent of the total U.S. production of approximately 900 million tons. Hardly a stunning figure for a state said to contain 40 percent of the U.S. resource base.

Can this enormous resource potential be developed to the extent that Alaska becomes a key supplier of coal to international markets? I am sure that it can. At the same time, our domestic energy policy should focus on the expanded use of coal to energize our communities, reserving oil and natural gas for higher and better uses and especially as capital generators in domestic and foreign markets. This makes sense since it follows the successful lead of our competitors. All countries with substantial exports of coal complement that export capability with domestic

energy policies that focus on coal as a major component of electrical power generation. This is true for Australia, South Africa, Canada and the Lower 48 states, all exporters of large quantities of coal matched by strong domestic consumption.

Alaska coal has both attributes and adverse characteristics. The major impediment is high moisture content which depresses the heat value of typical Railbelt coal. Currently coal importing countries evaluate coal rather simplistically in terms of price per million BTU's. By this token, Alaska coal experiences difficulty retaining its market share in South Korea, let alone expanding to other Pacific-rim countries. A major attribute characteristic of Alaska coal is its exceptionally low sulfur content, a constituent linked with acid rain. In essence, Alaska has just about the cleanest coal on this planet.

The challenge is obvious; overcome the serious marketing constraint of the high moisture, and voila, we have a premium low-

sulfur fuel possessing the capability of capturing, if the economics are favorable, a strong position in Pacific-rim markets.

If we looked upon ourselves as a coal state, like Illinois and West Virginia, we would be rigorously researching a solution to this problem. Perhaps, Alaska's political leadership will seize this opportunity to establish a joint public-private sector research and development initiative to address the fundamental marketing constraint for Alaska coal.

The Australian experience shows what the rewards could be. In 1972 Australia exported a mere 200,000 tons of coal. Now, 15 years later, that export tonnage has ballooned to almost 90 million tons, worth \$3.5 U.S. billion annually.

We in Alaska can twist the kangaroo's tail. Get it together Alaska and we could become an oil and a coal state at one and the same time, for the benefit of all Alaskans and Uncle Sam as well.

*Formerly director of the state Office of Mineral Development, Dr. John Sims is presently vice-president of marketing for Usibelli Coal Mine.*