

Supporting State Incentives to Support the Commercial Deployment of IGCC

WHEREAS, Several major energy corporations (including American Electric Power, Cinergy, First Energy, Consol, General Electric, Bechtel, and Southern Company) have recently expressed strong interest in building commercial Integrated Gasification Combined Cycle (IGCC) power plants; *and*

WHEREAS, The mounting interest in IGCC reflects a convergence of three changes in the electric utility marketplace:

1. Recognition of the increasing maturity of gasification technology;
2. Recognition of the extremely low environmental emissions, including mercury, from IGCC plus the potential for lower cost control of greenhouse gases than is available with other coal-based systems; and
3. Recognition of the recent dramatic increase in the cost and volatility of natural gas as a fuel source makes clean coal technologies an attractive alternative; *and*

WHEREAS, There have been recent expressions of interest in building commercial IGCCs because the Nation's current portfolio of electric power plants is aging; electricity demand continues to steadily grow; and IGCC shows promise to be a clean, low cost source of electricity for the next generation of base-load power plants; *and*

WHEREAS, Carbon sequestration technologies can be integrated into the design of an IGCC facility to minimize future environmental compliance cost increases and efficiency losses potentially associated with carbon capture; *and*

WHEREAS, IGCC technology will play a central role in development of zero emissions coal energy such as that to be proven through FutureGen, the Department of Energy's flagship R&D platform for integrated testing of the improved components emerging from research efforts, leading to co-production of power and hydrogen from coal in a carbon sequestered system without adverse environmental impact; *and*

WHEREAS, The perceived principal barriers to commercialization of IGCC are cost, technology risk, and the need for design changes to assure adaptability to a carbon constrained world; *and*

WHEREAS, The initial fleet of pioneer commercial plants now being discussed by the power industry will help lower capital costs and technology risks by moving the industry along the learning curve; *now therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened at its February 2005 Winter Meetings in Washington, D.C., encourages States to examine IGCC technology, in the context of portfolio management, as a means to mitigate natural gas price levels and volatility by creating economic alternatives to natural gas-fired electric generation; *and be it further*

RESOLVED, That NARUC supports the consideration of State incentives, such as: innovative rate treatment methodologies; accelerated depreciation of assets; and the Pennsylvania Alternative Energy Portfolio Standard, to encourage the commercial development of IGCC facilities in concert with Federal deployment efforts; *and be it further*

RESOLVED, The Federal Government, in concert with States and other agencies, should create a portfolio of mechanisms, such as credit-based approaches that could be administered by DOE, such as (but not limited to):

1. Direct loans, loan guarantees, and lines of credit;
2. Tax incentives, such as (but not limited to) investment tax credits, production tax credits, and accelerated depreciation of capital assets;
3. Production incentives;
4. Public/private cost sharing; and
5. Direct subsidies.

Such tools, applied to co-manage specific risks, should be cost-effective and used in conjunction with the expedited deployment of an initial fleet of plants to help investor-owned, municipally-owned and cooperatively-owned electric suppliers overcome the costs and other obstacles of early adoption; *and be it further*

RESOLVED, NARUC recommends that DOE should provide funding through the DOE/NARUC Partnership for Clean Coal and Carbon Sequestration Technologies to permit NARUC to assist States in the examination and development of innovative financial incentives to encourage the accelerated deployment of commercial IGCC facilities.

*Sponsored by the Committees on Electricity and Energy Resources and the Environment
Adopted by the NARUC Board of Directors February 16, 2005*