

A \$750-Million Plan for Coal Research

Coal-burning industries and equipment vendors are close to securing \$100 million in federal subsidies for 1986 to commercialize processes for burning fossil fuels more cleanly. Although the Reagan Administration generally is against supporting such demonstration projects, Congress appears bent on speeding the development of new coal combustion technologies. In fact, \$750 million or more could be appropriated by Congress in the next 3 to 5 years for such purposes.

Behind the push for these federal subsidies is a coalition of electric utility and industrial coal users, order-hungry equipment vendors, environmentalists, coal-state legislators, and Midwestern and New England states. Their motivations for backing the clean coal initiative are varied. Electric utilities are looking for less costly ways to generate power cleanly and for technologies that will permit older plants to continue operating under tighter air emission standards. Environmentalists and state officials see it as a way to control acid rain.

The use of federal subsidies has been endorsed by the Department of Energy's (DOE's) Energy Research Advisory Board (ERAB). "Coal is not clean," says Eric Reichl, chairman of ERAB's panel on fossil fuels. "We are going to need more of it in the future and we ought to be able to use it cleanly."

The "clean coal" initiative was moving slowly through Congress until it won the backing of Representative Sidney R. Yates (D-Ill.), chairman of the House Appropriations subcommittee on interior. His subcommittee has allocated \$750 million from fiscal years 1986 through 1988. The Senate has yet to act, but Yates's counterpart, Senator James A. McClure (R-Idaho) is expected to support funding of \$100 million for 1986. He may, however, seek to hold total spending to less than \$750 million and spread outlays over 5 years, sources say.

While Congress is increasingly charmed by the clean coal proposal, which would require cost sharing of at least 50 percent by participants, the White House opposes it. Unless the Administration can be brought onboard, "The program is not going to get done," says Ben Yamagata, executive director of the Clean Coal Technology Coalition. Industry interest in the package will fade without Administration support. And should the President sign the 1986 Interior appropriations bill but still object to the coal technology demonstrations, the bureaucracy could effectively block the program, Yamagata says.

The Office of Management and Budget opposes the clean-coal package because it is a commercialization effort. Demonstration of chemical coal cleaning, coal combustion, and flue-gas emission technology is generally seen as an industry, rather than federal role. Moreover, backing the effort could spur more proposals from other special interests and hurt deficit reduction efforts.

Lobbyists for the Edison Electric Institute and other industry groups still are hopeful of turning the Administration around. A catalog of preliminary project proposals collected by DOE indicates that the electric utility industry alone is willing to match federal expenditures with \$2.1 billion in private funds. Furthermore, some lobbyists are trying to convince Administration officials that the propos-

al has political merits: Supporting the clean coal bill could help Republican incumbents in the 1986 elections fend off opponents running on environmental platforms.

"The absolute amount of money is not overwhelming," says Reichl, noting that many members of Congress will find the package difficult to oppose. In fact, the seeds for this program were planted by Congress last fall when it stripped \$7.5 billion away from the U.S. Synthetic Fuels Corporation. As part of that action, Senate Minority Leader Robert C. Byrd (D-W.Va.), set aside \$750 million of Synthetic Fuels Corporation spending authority for demonstrations of emerging coal technologies and ordered DOE to collect statements of interest from industry.

DOE reported to Congress in May that it received 175 proposals from industry, which would cost in excess of \$8 billion. Most of these submissions (117) fall into five areas where there is significant ongoing R&D: flue-gas cleanup, fluidized-bed combustion, surface coal-gasification, coal preparation, and advanced coal combustors.

Kurt E. Yeager, vice president of the Electric Power Research Institute's combustion research program, concedes that industry can do much of what is being proposed on its own, but it would take longer without federal assistance. "We need to accelerate the availability of this technology," he argues, noting the United States' growing dependence on coal.

So far, House and Senate staffers are seeking to structure the legislation so that project selection is done on a competitive basis, rather than by political whim. And there are efforts to confine DOE's role to that of an investment banker who is not involved in the day-to-day events of projects.

Still, veteran bureaucrats within DOE's Fossil Energy Division find the clean coal initiative reminiscent of Congress's sudden infatuation with synthetic fuels in 1979 and 1980. "When the government was in the demo business we really had a difficult time," says one ranking official recalling experiences of the last decade.

Unless Congress narrows the field of technologies to be pursued, DOE will have the chore of deciding what classes of demonstration projects deserve government subsidies. Competitive bids would then be sought by the department. But inevitably, he notes, industry will criticize the government's involvement in projects, which is required by the use of federal subsidies. "Who am I to decide what is right for business in the marketplace," observes the DOE official.

ERAB's Reichl, who recently joined the board of the beleaguered Synthetic Fuels Corporation, concedes that Congress and DOE will have to be careful to avoid having the proposed coal technology program labeled "a boondoggle." "Clean coal deserves better," says Reichl, who suggests that criteria for selecting appropriate technologies be based on ERAB's recommendations.

But neither industry or environmentalists are letting possible pitfalls discourage them. "There is a need for a disciplined program for emissions reduction research," says John McCormick, head of the Environmental Policy Institute's toxics and pesticides program.

—MARK CRAWFORD