

Coal policy in Montana put in limbo

By MIKE DENNISON, Gazette State Bureau

HELENA - Three years into Gov. Brian Schweitzer's first term, Montana has heard plenty about coal development, but a profound political shift is throwing serious coal plans here into limbo.

The shift comes because of concerns over global warming, for "developing" coal means burning it, to produce electricity, natural gas or liquid fuel. Burning coal creates carbon dioxide (CO₂), which is the prime suspect in global warming.

Coal developers in Montana and across the nation expect Congress, the states or both to start regulating CO₂ emissions.

But with no clear political consensus on the form of regulation, energy developers are leery of where, or how, to invest their money.

"You have environmental sensitivity that has just gone nuts," said Chuck Kerr of Great Northern Properties, the nation's largest private owner of coal deposits. "The utilities are in what I call 'decision gridlock.' Do you bet on traditional coal, or do you bet on" gasified coal-power production?

Great Northern has been working six years on a potential coal mine and energy plant near Nelson Creek, northwest of Circle. It hopes to apply for a mine permit this year.

Nelson Creek is one of several coal-related projects mentioned for Eastern Montana, which has billions of tons of untapped coal deposits. Yet no project has come close to actually breaking ground or, in most cases, getting much past the talking stage.

The potential projects include:

- A 250-megawatt, coal-fired power plant near Great Falls that would produce electricity for five rural cooperatives serving 60,000 customers in central and southern Montana.

This project is furthest along, having acquired a state air quality permit. But that permit has been challenged on grounds that the state didn't consider CO₂ emissions of the plant.

If the plant goes forward, it would consume 1.3 million tons of coal a year from an existing mine, a mere 3 percent increase in mining production in Montana.

- Great Northern's Nelson Creek project, which would be likely to convert lignite coal into synthetic natural gas. Kerr says the company is looking at a project that could capture CO₂ emissions.

- A proposed power plant and/or coal-to-liquids refinery attached to the Bull Mountain coal mine south of Roundup, announced last year. Yet the mine's application to expand its operations has been withdrawn as possible developers sort out their financing.

- A new coal mine near Carpenter Creek, northeast of Billings, with plans to ship the coal to power plants in the Midwest.

- The Otter Creek coal tracts just east of the Northern Cheyenne Indian Reservation, where the state and Great Northern, which have joint ownership of the coal, continue to work toward some ground rules on possible development.

- Possible coal-to-liquid refineries near Malmstrom Air Force Base in Great Falls and one in Butte.

Coal production in Montana has increased slightly during Schweitzer's term as governor, but at 42 million tons a year it remains light years behind neighbor Wyoming, which leads the nation at 400 million tons produced annually.

During his 2004 campaign and since winning election as governor, Schweitzer, a Democrat, has spoken strongly in favor of coal development in Eastern Montana, usually emphasizing the potential for using coal to produce liquid diesel fuel - a technology not yet being used on a commercial scale anywhere in the country.

Yet Schweitzer's support for coal development has taken a different twist in the past year or so, reflecting the concern over global warming.

Now, official administration policy supports only plants that will capture their CO₂ emissions, which means a coal-fired plant that "gasifies" coal into natural gas, or perhaps a coal-to-liquids refinery. The gas could be burned to create power and shipped elsewhere for consumption, and the CO₂ would be captured, or "sequestered," underground.

"We don't want traditional, pulverized coal plants developed in Montana," said Evan Barrett, the governor's chief economic development officer. "There isn't a future in the traditional, 30-year-old technology."

Industry officials say they realize that capturing CO₂ is the wave of the future. But they say that neither the technology nor its regulation is fully developed, so why should every other coal alternative be shelved?

"We still have an immediate need (for power) that must be met," said Tim Gregori, general manager of Southern Montana Electric Generation and Transmission Cooperative, which wants to build the Great Falls power plant. "What the Schweitzer administration needs to do is consider other projects than their pet projects."

The proposed Great Falls plant, while planning to burn coal, also has plans to capture much of its CO₂ emissions, Gregori says.

Some industry officials and their supporters also still grouse about Montana's political and regulatory climate, saying neighbors such as North Dakota and Wyoming are more receptive to big-time coal development.

They point to Montana's Board of Environmental Review, which is appointed by the governor and in 2006 approved standards for mercury power-plant emissions stricter than federal standards.

The board also may decide whether CO₂ emissions should be regulated, in relation to the Great Falls plant, although such regulation is not required explicitly in state law or rule.

"If we're going to compete with our neighboring states, we can't regulate at a higher standard than they do," said Rep. Alan Olson, R-Roundup, who supports coal development. "That's what business looks at when they come in here to open up a project."

Schweitzer has dismissed such talk, saying the industry is always trying to play states off against each other to get better deals.

Montana has great coal resources, and the Legislature last year approved tax breaks for industry to build projects that capture CO₂ - which remains a question mark over which Montana doesn't have much control, the governor says.

"As soon as Congress moves (on CO₂ regulation), then projects will begin to be built," Schweitzer said. "What's happening right now is, everyone in the energy business has recognized there is a demand for more electricity, but they want to know what Congress is going to do. They can't do the math, because Congress has not put together the carbon protocol."

Anne Hedges, program director for the Montana Environmental Information Center, which generally opposes coal-fired plants and has feuded with the Schweitzer administration over energy policy, agrees with that assessment.

"The 800-pound gorilla is global warming, and what's going to happen with the cost of carbon," she said. "Everyone is accepting the fact that emitting carbon is going to cost. The question is, how much?"