

# Texas legislator explores incentives for 'clean coal' plants

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Texas Rep. Phil King, R-Weatherford, is considering offering financial incentives for companies to build low-polluting coal-fired power plants in Texas.

The legislator, who leads the House Regulated Industries Committee, said Friday he's exploring ways to offer tax breaks or to set up a trust fund for "clean coal" technologies.

He said such incentives might help investors get over their reluctance to sink money into untested technology so that the low-polluting power plants that Texas badly needs can be built.

"I'm aggressively looking into it now," Mr. King said.

"Here's what I'm finding out: Wall Street's afraid to invest in clean-coal technology plants. We've got to find some way to give them comfort with that risk level. And that will take some type of incentive from the state until we get a few of these built," he said.

The aid might also help power generators meet new federal carbon dioxide limits that the companies would have to meet anyway.

*Clean coal* typically means coal plants that don't emit as much pollution as traditional plants and have some mechanism to cut carbon dioxide emissions. That would include coal gasification plants as well as devices that collect carbon dioxide from traditional plants.

The coal industry may be in jeopardy if it cannot come up with a clean, politically palatable way of using the fuel.

Texas' two largest power companies, NRG Energy and Energy Future Holdings Corp.'s Luminant, have been tinkering with equipment that cuts carbon dioxide emissions from coal. Both are bracing for federal carbon dioxide regulations.

"We believe federal regulations are coming," said Thad Hill, head of NRG's Texas operations. "Government help is required early, but it shouldn't be required for long."

NRG executives have said they're ready to invest in a coal gasification facility. They need help with the cost, especially in Texas' deregulated market where power companies must build plants on their own dime and recoup the cost by selling electricity into the market.

Most experts say a coal gasification plant costs about 20 percent more than a traditional plant, and the carbon dioxide capture and sequestration equipment costs another 20 percent on top of that.

NRG executives want the government to help narrow that gap. Over time, as more coal gasification plants get built, the cost would likely drop, eliminating the need for subsidies, NRG has said.

Meanwhile, NRG is planning to expand its traditional coal plants in Central Texas.

The new owners of TXU Corp., now called Energy Future Holdings, has pledged to consider building coal gasification plants. But it hasn't yet called for bids from equipment vendors, as promised.

Before the buyout by private equity companies, TXU came under fire for proposing to build 11 traditional coal plants. The buyers cooled public ire by cutting the proposal to three plants and promising to consider clean-coal technology.

The company is also doing research on methods to eliminate carbon dioxide emissions from existing coal plants.

Mr. King said he's met with NRG officials about the idea of state aid, as well as some electricity cooperatives. He hopes to also meet with Energy Future. He plans hearings on the topic and to propose legislation in the 2009 session.