



# Coal-To-Liquids: A Costly Gamble

In an attempt to add on to the more than \$60 billion they've already received from the government, the coal industry is making a new pitch on an old technology. They're touting the supposed benefits of coal-to-liquid (CTL) plants, which use technology first developed in the 1920's to turn coal into synthetic fuels. Some lawmakers want to invest billions of taxpayer dollars in this industry, one which private companies haven't touched for years. Here's why:



## Staggering Price Tag

- Replacing just 10 percent of America's oil consumption with coal derived fuels would cost taxpayers **\$70 billion** in construction costs. And these estimates don't include the high costs of the additional mining that would be required to provide the necessary coal.
- According to CTL proponents, a plant can cost as much as \$6.5 billion with a seven year lead time for construction. Plants can have operating costs of up to \$350 million a year.
- Carbon sequestration, which CTL plants need to contain the large amounts of carbon they emit, is an unproven and costly technology. For a medium-sized CTL plant, sequestration could mean an additional \$150 million in capital costs, and \$98 million more in operation costs per year.

## A Risky Investment

- Most companies haven't entered the industry not only because of the high price tag and problems dealing with emissions, but also because the success of CTL plants depends on volatile oil prices, which need to remain higher than \$55 to \$65 a barrel for coal-derived synthetic fuel to be competitive in the market.

*"It seems almost certain that a lot of governmental support will be required to commercialize CTL projects in the U.S."*

- Standard & Poor's

- As recently as 2002, oil prices were below \$35 a barrel, and some industry estimates suggest that OPEC could drop prices to \$15 a barrel in response to competition.
- Falling oil prices could ruin the CTL industry, turning CTL plants into money-losing machines and leaving taxpayers footing the bill. In fact, the Standard & Poor's reports that without constant, long-term taxpayer support, CTL projects "*are likely to be untenable.*"

## Past Failures

- During the 1980's, the US Government invested \$15 billion in a failed attempt to jumpstart the synthetic fuels industry. In one instance, the government spent more than \$1.5 billion on a plant in Beulah, North Dakota, but volatile oil prices drove the industry into near-bankruptcy, leaving taxpayers with a \$330 million loss.

Now some lawmakers want the federal government to pour billions of taxpayer dollars into the same old costly gamble. Subsidizing the coal industry to create fuel didn't work in the past, and it won't work now. Instead of picking favorites, the government should let the market decide the best solutions for long-term energy independence.