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Coal Fuels A Debate Over Obama

Democrat Stuck Between Industry and Environment

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BENTON, Ill. -- In 2004, as a state legislator running for the [U.S. Senate](#), [Barack Obama](#) came to this small town 300 miles from [Chicago](#) to pledge support for southern [Illinois](#)' struggling coal country.

More than just an obligatory visit to the more conservative and rural part of the state, it was a chance for Obama to affirm his reputation as the rare politician who could see both sides of an issue and form alliances across traditional divides.

"It doesn't matter if you are a Republican or Democrat, you've got to be able to work with people to accomplish some common-sense policies and make people's lives a little bit better," he said from the steps of the county courthouse.

Three years later, with Obama now a candidate for president, his embrace of southern Illinois and its dominant industry is showing signs of strain. Obama finds himself caught between his advocacy of huge federal subsidies for liquefied coal for transportation fuel, a technology that the Illinois coal industry views as a salvation, and environmental groups that reject it as a boondoggle that would set back efforts to reduce carbon dioxide emissions in the fight against global warming.

After co-sponsoring legislation earlier this year for billions of dollars in subsidies for liquefied coal, Obama more recently began qualifying his support in ways that have left both environmentalists and coal industry officials unsure where he stands. His shift has helped shape this month's Senate debate over how to reduce both dependence on foreign oil and carbon dioxide emissions; on Tuesday, he voted against one proposal to boost liquefied coal and for a more narrowly worded one. Both failed.

More broadly, Obama's contortions on coal point to the limits of the role he likes to assume, that of a unifier who can appeal across traditional lines and employ a "new kind of politics" to solve problems. In reaching out to the coal industry, some observers say, he may have been trying to show that he is a different sort of Democrat, but the gesture had the look of old-style politicking and put him in a corner, where he wound up alienating some on both sides of the issue.

"He was trying to throw a bone to the southern Illinois coal interests . . . and was surprised when people started saying, 'What the heck are you doing?' " said Frank O'Donnell, president of the environmental group Clean Air Watch. "That's a rookie mistake for a presidential candidate, to think you can get in the middle of a controversial issue and no one will notice."

Obama's staff says he has been consistent on the issue, viewing coal as a way to ease dependence on oil imports while taking into account its threat to the climate. "With the right technological innovations, coal has the potential to be a cleaner burning, domestic alternative to imported oil," Obama said last week. "We cannot solve the climate crisis without addressing coal -- which generates half of America's electricity."

Obama's winding path on coal can be traced to 1997, when, as a state senator, he made a long trip to a golf outing hosted by a fellow legislator near Benton. The visit, as he later recalled, gave him a memorable glimpse of a region that shares more with [Kentucky](#) than with Northern Illinois -- Carbondale, the area's biggest town, is closer to [Tupelo](#), Miss., than to Chicago.

By the time Obama ran for the U.S. Senate in 2004, the region was suffering. The Clean Air Act of 1990 discouraged use of the area's high-sulfur coal, and instead of investing in scrubbers to clean it, most Illinois utilities opted to bring in low-sulfur coal by train from the West. Mine employment in Illinois plummeted from 15,000 in 1990 to 4,000, leaving largely untapped the state's huge bituminous coal reserves -- 100 billion tons, a quarter of the nation's total and enough, the state's top coal lobbyist says, to power the country for 200 years.

On 2004 campaign visits to the region, Obama stuck up for the coal industry by criticizing pollution rules proposed by [President Bush](#) that Obama said unfairly favored Western coal and rallying behind workers who had lost their health benefits in mine bankruptcies.

After his election, Obama's commitment to the region was quickly tested. On the Senate Environment and Public Works Committee, he found himself the deciding vote on Bush's "Clear Skies" initiative to replace rules for coal-fired power plants with a system of pollution credits, which environmentalists attacked as a risky loosening of limits.

The Bush administration targeted Obama, banking on his rhetoric about thinking outside party lines and his concern for Downstate Illinois. But in the end, he held firm in opposition, saying the bill would worsen pollution while not helping the Illinois coal industry as much as claimed. The bill died in committee on a tie vote. Reaction was swift.

"All of [his] dialogue and rhetoric during the campaign had been pro-coal, and we saw this as a pro-coal initiative," Carbondale Mayor Brad Cole (R) said.

Three months later, Obama saw an opportunity to win back goodwill. He attached a provision to the 2005 energy bill for \$85 million over five years to test using Illinois coal to produce transportation fuel.

Converting coal to a diesel-like transportation fuel was pioneered by German scientists in the 1920s and put to use by two regimes without easy access to oil: [Nazi Germany](#) and the apartheid government of [South Africa](#). There are no coal-to-liquid plants in the United States, mainly because of the enormous cost -- about \$4 billion per plant.

But an expanding list of mining companies, investors and politicians in coal states say that with the cost of oil riding high and concerns growing about dependence on autocratic oil-producing nations, coal-to-liquid's time has come. It produces twice the carbon dioxide emissions of petroleum, but, proponents say, if the emissions produced in conversion were captured and stored underground, coal-to-liquid would produce hardly more greenhouse gases than oil.

"We can find the balance," said West Virginia Gov. Joe Manchin III (D). "When you have 60 percent of your oil coming from nations that aren't friendly to the U.S., why continue to go down that road and put yourself in jeopardy?"

Environmentalists reject this. Carbon capture and storage is years from being proved doable on a large scale, they note, and even if it is found feasible, it will be very expensive. It makes far more sense to invest in emissions storage for a new generation of coal-fired power plants instead of spending billions for a transportation fuel that produces as much emissions as petroleum, they say.

"Even if it does work, we're no better off," said Steven Bantz, an analyst with the [Union of Concerned Scientists](#).

Obama's support for exploring coal-to-liquid drew little notice at first. But in April 2006, he was approached by [Sen. Jim Bunning](#) (R-Ky.), who was also interested in the technology. Over several months, Bunning staff member Bill Beaver and Obama energy aide Todd Atkinson drew up a package with \$20 million grants for facility designs, accelerated loan guarantees, an extension of tax credits applicable to coal-to-liquid, provisions for military supply contracts and investment tax credits of up to

\$200 million for each of the first 10 plants to be built. Altogether, the package could be worth \$8 billion.

Obama and Bunning unveiled it in January. "The people I meet in town-hall meetings back home would rather fill their cars with fuel made from coal reserves in southern Illinois than with fuel made from crude reserves in [Saudi Arabia](#)," Obama said.

The proposal drew support from, among others, the United Mine Workers of America; the Air Force, which has studied using coal to liquid in its fleet; and major coal producers such as Peabody Energy, which owns several mines in Illinois and has a contract to build a coal-to-liquid plant in East Dubuque, Ill., with [Denver-based Rentech](#).

Environmental groups were at first reluctant to chide Obama, whose record was otherwise to their liking, but criticism gradually grew. "When our friends do things that we think are not smart, we tend to call them and talk to them about it," Sierra Club Executive Director Carl Pope said. "We thought this was a mistake. We let them know that we thought it was a mistake and why."

In recent weeks, Obama's new friends in the coal industry have seen him start to drift. On June 12, he introduced a proposal modeled on the [California](#) approach to reducing the carbon dioxide content of tailpipe emissions. He has endorsed reducing all carbon emissions by 80 percent by 2050.

And this month, his Senate office quietly sent out a clarification of his coal-to-liquid position, saying he would support subsidies only if the fuel could be created with 20 percent lower carbon dioxide emissions than petroleum-based fuels. The statement dismayed those pushing coal-to-liquid, who noted this would require technological leaps even beyond perfecting carbon storage.

"He's absolutely flip-flopped. We're totally confused," Rentech chief executive Hunt Ramsbottom said.

Obama's shift also left many environmental activists cool. They warn against providing any subsidy to launch the development of the coal-to-liquid industry, no matter what the restrictions. "We're very concerned that this could be a pretty dirty camel that has its nose under the tent," said David Hawkins, director of the [Natural Resources Defense Council](#)'s climate center.

Last week, Obama voted with the majority against coal-to-liquid incentives proposed by Bunning, despite teaming up with him six months ago. He voted for subsidies with language requiring 20 percent lower emissions, which allowed him to show some support for the technology. This, too, failed to pass, with many Republicans taking the industry view against the emissions requirement and many Democrats opposing any coal-to-liquid subsidies.

But those on both sides of the issue agree that the politics of coal are not going away for Obama, given the concerns about oil dependence, the push to reduce carbon dioxide emissions and the abundance of coal buried in his home state.

These riches are on display at Murray Energy Corp.'s American Coal Co. mine in Galatia, Ill., which employs 970 and produces 8 million tons of coal per year. One day last week, 600 feet below ground and 3.5 miles from the elevator shaft, six miners crouched in a five-foot-high passage to operate a giant drum studded with tungsten carbide tips. It churned along an 850-foot-long face, shearing hunks of coal into a conveyor belt and crusher. As the machine advanced, miners rushed to adjust hydraulic supports that kept the rock above from collapsing. By shift's end, the shearer would cut the face back 20 feet and produce 3,000 tons of coal.

Back above ground, Murray Vice President John Forrelli displayed maps showing a swath of reserves stretching up to the center of the state, with Murray alone holding rights to 803 million tons nearby. Expanding mining, though, depends on Obama and others in Congress. Chief executive Robert Murray, a former coal miner, does not hold out much hope.

"On the one hand he says he's for CTL, but then he voted against it," Murray said. "I'm going to assume that he is not a friend of coal."

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