

U.S. Energy Issues: Beware Single-Bullet Solutions

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Attached is a commentary from Peabody Energy regarding responses to the recent blackout in the Northeast. Peabody Energy is the world's largest private-sector coal company, with 2002 sales of 198 million tons of coal and \$2.7 billion in revenues. Its coal products fuel more than 9 percent of all U.S. electricity generation and more than 2 percent of worldwide electricity generation.

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We need it all.

If the frequent crashing waves of energy issues during the past few years have taught us anything about America's energy picture, it is that we need to embrace all energy alternatives. That means more transmission ... more renewable energy ... more conservation ... and more coal-fueled generation, among other initiatives.

Each energy alternative has its strengths. Consider that:

- America's transmission system remains the most reliable in the world, but a recent study shows that transmission capacity is expected to grow just 4% between 1998 and 2007, while electricity use will increase 17%. We desperately need new investment both to improve reliability and bring abundant, inexpensive electricity where it is needed.
- Natural gas is a precious fuel, yet America is asking it to do too much. Gas production has remained relatively flat over the last three decades, while producers have drilled nearly three times as many wells just to stay even. The U.S. government predicts that natural gas demand will grow by 50% over the next two decades as new electricity generating plants compete with homes, schools and businesses for natural gas supplies. High natural gas prices continue to punish individuals and the economy.
- Renewables are exciting to discuss but have limited applications. We need to be realistic about their potential. After half a century and tens of billions of dollars of investments, less than 1% of the electricity on our grid comes from solar and wind power. Solar power shines in Phoenix, but the residents of Seattle can hardly rely on regular sunshine for electricity.
- Conservation is a vital but small part of the solution. Using more electricity, for instance, during off-peak hours both balances generation load and allows the lowest-cost electricity to be used while saving high-priced natural gas generation. But this satisfies only a fraction of the yawning growth demands of the greatest nation on earth. America's electricity use has doubled since 1976 as the population and economy grows and we all use more technologies that plug in. To ask conservation alone to solve the problem is to expect our senior citizens to go without air conditioning and our children to go without computers in schools.

These are some of the reasons that Peabody is developing the Thoroughbred and Prairie State Energy Campuses in Kentucky and Illinois. These plants will use state-of-the-art emissions controls that far over-comply with current clean air standards. They will

tap into America's 250-year supply of coal to provide fuel that will cost just 15% of current natural gas prices. And they will help to replenish America's shrinking reserves of reliable, inexpensive baseload generation. Coal use has tripled since 1970, even as emissions have steadily improved. These projects will continue that record. In short, they are good for Americans, leading to a stronger economy, healthy environment and secure nation.

With complex issues, talk often substitutes for action, because it is always easier to just say "no" than to take positive steps. We need to be wary of single-bullet solutions to America's energy crisis du jour. This is a multiple-choice test, and the correct answer is: "All of the Above."

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