

FutureGen Industrial Alliance and U.S. Department of Energy Enter into Agreement to Develop First Zero-Emissions Coal-Fueled Power Plant

PRNewswire-FirstCall
WASHINGTON

The FutureGen Industrial Alliance, Inc. today announced that it has entered into a cooperative agreement with the U.S. Department of Energy (DOE) to develop and site in the United States the cleanest coal-fueled power plant in the world with a target of zero emissions, hydrogen production and carbon dioxide sequestration capabilities.

The Alliance and the Department of Energy are partnering in all development aspects of the \$1 billion FutureGen project, including siting, technology selection, construction and operation. The Alliance and DOE seek an aggressive schedule that includes announcing a site selection process next year, beginning construction within three years and targeting plant operations in 2012.

The FutureGen initiative is a multiple year project comprised of several budget periods. The first budget period, which will end Jan. 31, 2007 and cost \$10.2 million, will focus on establishing the configuration and cost of the facility and developing a short list of potential sites. The facility configuration and siting process will take into consideration a full range of U.S. coal types.

"The FutureGen prototype will serve as a model for clean energy production and a technology response to climate change concerns," said FutureGen Alliance Chairman Dr. Charles Goodman, Senior Vice President of Generation Policy for Southern Company. "FutureGen enhances continuous environmental improvement while strengthening energy security through our domestic coal resources."

"The prototype will prove the best technology and economic path for commercialization while addressing environmental concerns associated with the large-scale use of coal for U.S. and global energy needs. The robust use of coal will ensure a better life for current and future generations."

The Alliance is a non-profit corporation that represents a global coalition of the world's largest coal and energy companies with operations on five continents. Members of the Alliance have voluntarily committed more than \$250 million to help fund project development and include American Electric Power; BHP Billiton; the China Huaneng Group; CONSOL Energy Inc.; Foundation Coal; Kennecott Energy, a member of the Rio Tinto Group; Peabody Energy and Southern Company. The U.S. government would invest about \$700 million in the project.

The Alliance has agreed to an initial cap on the federal investment subject to review of detailed cost estimates. In addition, the Alliance approved the agreement based on earlier representations by the Administration to fully fund FutureGen and other coal research and development programs.

FutureGen is energizing many states that are vying to host the project. Already, government and industry officials in 14 of the nation's energy producing states say they are interested in hosting the prototype.

Coal represents more than 85 percent of U.S. energy reserves and approximately 64 percent of global energy reserves, fueling 50 percent of U.S. electricity and 40 percent of the world's needs. Globally, coal use has grown more than five times faster than projected in the past three years, and use has far outpaced nuclear, natural gas, oil and renewables.

Formation of the FutureGen Alliance was coordinated by Battelle, a non-profit research and development institution. The FutureGen Alliance member companies provide energy to tens of millions of U.S. and international residential, business and industrial customers. Member companies have global operations serving customers in Asia, Australia, Continental Europe, Canada, Mexico and the United States, among other regions.

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SOURCE: FutureGen Industrial Alliance, Inc.

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