

DOCKETED

Docket Number:	08-AFC-08A
Project Title:	Hydrogen Energy Center Application for Certification Amendment
TN #:	203760
Document Title:	Exhibit D - SNL Annalee Grant
Description:	DOE says hands were tied on canceling FutureGen funding; HECA also at risk
Filer:	Andrea Issod
Organization:	Sierra Club
Submitter Role:	Intervenor
Submission Date:	3/2/2015 7:26:44 PM
Docketed Date:	3/3/2015

Exhibit D

Thursday, February 05, 2015 3:16 PM PT  Exclusive

DOE says hands were tied on canceling FutureGen funding; HECA also at risk

By [Annalee Grant](#)

The U.S. Department of Energy needs to use the research dollars it has readily available for carbon capture and sequestration, Sen. Joe Manchin, D-W.Va., said at a conference Feb. 5. But the DOE said its hands were tied with respect to its recent decision to [halt](#) funding for FutureGen 2.0, and warned that another carbon capture project may end up on the chopping block.

Speaking at the Global CCS Institute conference in Washington, D.C., DOE Assistant Secretary for Fossil Energy Christopher Smith confirmed that the funds allocated for the FutureGen project through the American Recovery and Reinvestment Act of 2009 will return to the Treasury Department.

"[T]hat's going to benefit the taxpayers. So those funds won't be available to us for additional projects," Smith said.

The DOE [announced](#) Feb. 3 that it had opted to enter into a structured closeout of the \$1.1 billion in funding pledged to the FutureGen CCS project originally awarded in 2010. The agency already invested about \$116.5 million since then for work on the planned 168-MW power plant, while another \$86 million has been invested in the underground storage site and some associated infrastructure. The project was backed by the FutureGen Alliance, a coalition of companies in the coal and power industries. The project aimed to retrofit a coal-fired power plant in Illinois so that it could capture its carbon emissions and store them underground.

"When we looked at the progress that the Alliance was making, it was simply clear that the Alliance was not going to be successful at getting financing closed in a time frame that was going to be consistent with being able to spend those funds before the deadline that was established by law," Smith said. "Based on that observation, and as it became clear in the immediate term that Congress was not going to act to extend the deadline, I made the decision to halt federal support for the project."

Smith confirmed that several other CCS projects in the country are under the same September deadline as FutureGen was to use the funds from the Recovery Act. While some projects, such as the [Summit Power Group LLC](#)-backed Texas Clean Energy Project, are progressing nicely, Smith said, California's Hydrogen Energy California project, or HECA, could be at risk as well.

“They won't spend what they have. So we'd be hard pressed to give them more money if they won't use what they've got. That's the first question we'll ask. Why can't you just change the regulations that you have and what you're studying on with the \$8 billion, and use it? That's kind of a common sense question, and I'll tell you, it's tough to get an answer on it.”

— Sen. Joe Manchin, D-W.Va.

"The challenges that we see with FutureGen are also going to largely apply to HECA because HECA does have that same timeline getting those Recovery Act funds expended — timelines that are consistent with the statute — so I would put that in the same category as FutureGen," Smith said.

Manchin expressed his frustration over the DOE's decision to pull out of the FutureGen project in Illinois, as well as the \$8 billion in loan guarantees set aside for CCS projects that have gone [unused](#) by the private sector. When asked if Congress had other opportunities to support the DOE's CCS research, Manchin said there was little point in sending more money to the agency for that purpose.

"They won't spend what they have. So we'd be hard pressed to give them more money if they won't use what they've got," Manchin said. "That's the first question we'll ask. Why can't you just change the regulations that you have and what you're studying on with the \$8 billion, and use it? That's kind of a common sense question, and I'll tell you, it's tough to get an answer on it."

Smith said Secretary of Energy Ernest Moniz is committed to furthering CCS technology. In the DOE's budget released Feb. 2, \$560 million was set aside for the office of research and development — the "lion's share," approximately \$369 million, of which will go toward the development of clean coal. The DOE also revealed \$2 billion in tax incentives for CCS, including a payroll tax incentive for plants that capture at least 75% of carbon produced, and storage incentives of \$50 per ton that is permanently stored and \$10 per ton that is used in applications such as enhanced oil recovery.

Still, Smith admitted the loss of FutureGen is a disappointment, as the DOE has invested time, effort and funds into that project over the years.

"This is unfortunate for us. This is a project that we certainly worked very hard to ensure that it would succeed and that we really cared about as being the one oxy-combustion project that we had in our portfolio," Smith said. "We pushed for this project to succeed, but in the end we were simply undone by some timelines that were established by law."

He later said that although the funding has been halted, the DOE in the future could reopen its relationship with the FutureGen Alliance.

"The decision that I made last week, was to halt federal financial support. Should something change by which this project gets funded in another way we are certainly open to any solutions," Smith said.

Attempts to contact representatives with the HECA project were unsuccessful.