

# Natural Gas Steadily Supplants Coal

The New York Times has an interesting article today highlighting the dilemma for Louisa, KY, in the heart of coal country. American Electric Power (AEP), which operates the local coal-burning power plant, wants to switch to burning cleaner, cheaper natural gas. As might be expected this has caused an uproar, but there are few easy choices. Following the local outcry about lost jobs through lower coal consumption by one of the country's largest coal consumers, AEP offered to spend \$1BN to fit scrubbers on the Big Sandy power plant so that it could continue burning coal while complying with tighter emission standards. The problem is, they need to increase the average residential utility bill by \$472 annually to pay for it and have applied to their regulator for permission.

AEP's long run strategy is to burn less coal. Their consumption of coal and lignite fell 17% from 2009-2011 according to SEC filings by the company, and natural gas almost doubled its contribution as a source of fuel (from 6-11%) over the same period. This reflects a nationwide trend, and one of the unexpected but positive outcomes of the shale gas revolution which has made this possible is that the U.S. may achieve a cut in greenhouse gases by 2020 equivalent to that included in a 2009 climate bill that never became law. The Sierra Club is helping the process along by highlighting how many "dirty coal-burning plants" they have helped retire, and how many are left.

In these efforts they have Chesapeake's CEO, Aubrey McLendon as an ally. He has apparently contributed \$26 million to their cause. Coal is steadily becoming an export, and helping lead to cleaner U.S. air.