State Incentives for Coal Gasification

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National Conference of State Legislatures

GTC Workshop
March 2-3, 2006
States With Incentives

- Illinois, Indiana, Minnesota, Ohio, Pennsylvania, Texas

- Pending in Wyoming State Legislature (bill passed House Feb. 21, 2006)

- Emerging action: Colorado, Kansas, Kentucky, Mississippi, New Mexico, Virginia, West Virginia
Illinois

- Governor Blagojevich's "Opportunity Returns" program
- Up to $300 million in bond funds for new gasification facilities (20 ILCS 605/605-332)
- Jan. 9, 2006: $5 million public-private support for $1.1 billion IGCC Taylorville Energy Center
Illinois Coal- More Agency Grants

- **Competitiveness** Program: $50k-$1.5 mil
- **Demonstration** Program: $1 mil-$30 mil
- **Research** Program: $3.5 mil given in 2005
- **Development** Program: Industry match
- **Revival** Program: Based on retail occupation sales tax
Illinois

• "High Impact Business" program (20 ILCS 655/5.5)

• Tax incentives for new large businesses or for power plants, including gasification

• Credits on or exemptions to Illinois sales and use tax, income tax, retailers' occupation tax, and electricity excise tax
Indiana: 2002 Legislation, Part 1

• Utility Generation and Clean Coal Technology (IC 8-1-8.8)
  – (1) Financial incentives for “clean coal and energy projects” using Illinois Basin coal or gas:
    • Clean coal technology at new or existing facilities
    • Advanced technologies that reduce regulated air emissions from existing generating facilities
These financial incentives for “clean coal and energy projects” include:

- Cost recovery
- Return on equity
- Other financial incentives the IURC considers appropriate
Indiana: 2002 Legislation, Part 2

• 2002 (continued)
  – (2) Financial incentives for “new energy generating facilities” criteria:
    • New or expanded energy generating facilities using coal or gases from the Illinois Basin
    • Use of clean coal technologies not necessary
  – Incentives:
  • Cost recovery for construction, repowering, expansion, operation or maintenance
  • Pollution control equipment added to utility's rate base
Indiana: 2005 Legislation, Part 1

- Coal Gasification Investment Tax Credit  
  P.L. 191-2005 (IC 6-3.1-29)  
  - Allows a state tax liability credit for a qualified investment in an IGCC power plant
Indiana: 2005 Legislation, Part 2

• P.L. 174-2005 (IC 4-4-30-5 and 8-1-8.8-2)
  – Requires that the Center for Coal Technology research investigate the use of coal bed methane as a renewable energy source and in the production of renewable or alternative fuels

  – Allows financial incentives available for “clean coal and energy projects” to include projects that use coal bed methane
Indiana: Technology Research

- The Energy Center – Purdue University
  - Will develop technology to convert coal into combustible gases and liquids
Minnesota

- 2003 statute (216B.1694) provided incentives for proposed Mesaba Energy gasification plant

- Entitles developer Excelsior Energy to sign 450 MW power purchase agreement with Xcel

- CPCN exemption for generation and transmission

- Grant of $2,000,000/year for 5 years- development, engineering
• Ohio Air Quality Development Agency and Ohio Coal Development Office offer:
  – Conduit financing
  – Loan, loan guarantees, grants
  – Tax incentives
  – Funding for demonstration projects
Pennsylvania


- Load-serving entities must provide 18% of their electricity using alternative sources by the year 2020— including IGCC
Pennsylvania

Energy Deployment for a Growing Economy (“EDGE”)

- Low interest loans for IGCC
- Permits long-term power purchase contracts to assist with financing
- Current repowering negotiations with EPA
Texas

- 2005: Legislature funded site screening process for potential FutureGen plant
- Approved $22 million in grants and incentives for low-emission projects
- Expedited permitting for FutureGen-type projects
Wyoming

- Bill (HB 61) passed Wyoming House, now in Senate

- Sales tax on equipment to build new gasification or liquefaction plants

- Some concern over lost revenue: bill analysis shows loss to state and local governments between $9.3 million to $62.4 million per plant
States With Emerging Action

- **Colorado**: Would permit PUC approval, cost recovery
- **Kansas**: Income, property tax incentives, bonds, siting
- **Kentucky**: Utility cost recovery for syngas
- **Mississippi**: Bond issuance for gasification
- **New Mexico**: Tax credit for IGCC, fuel cells, renewables
- **Virginia, West Virginia**: Promote gasification research in state energy plan