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## **Coal Subsidies in H.R. 6, the Energy Policy Act of 2003**

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H.R. 6, the Energy Policy Act of 2003, contains massive new subsidies for the coal industry. In total, the energy legislation will provide more than \$9.3 billion in new tax breaks and spending programs for the coal industry. Almost all of the subsidies benefit so-called “clean coal” technologies. The United States burns more than 900 million tons of coal annually, releasing more than 2 billion tons of carbon dioxide and 51 tons of mercury into our air and water. In southern West Virginia alone, 15 to 25 percent of the mountaintops have been removed to mine coal. Mountaintop removal has buried 1,000 miles of streams and eliminated 30,000 acres of hard wood forests. The energy bill would:

**Create the first ever-production investment tax credit for “clean coal.”** The bill would expand the solar energy and geothermal investment tax credit to include “clean coal” investments (Title XIII, sec. 1351). Currently, federal law does not provide an investment credit for coal-burning power plants. The credit allows for a 15 percent deduction for existing plants that are installing new “clean coal” technologies and 17.5 percent for companies building advanced “clean coal” plants. The credit allows for investments in existing coal facilities between Dec. 31, 2003 and Jan. 1, 2014, and advanced “clean coal” plants between Dec. 1, 2003 and Jan. 1, 2017. The Joint Committee of Taxation estimates that this provision will cost \$1.1 billion.

**Establishes a new “clean coal” programs.** The bill establishes two new federally funded research and development programs (Title VI, sec. 401 and 441). The programs called the “Clean Coal” Power Initiative and the Clean Air Coal Program are designed to ensure that coal remains a cost-competitive source of electricity. Since 1984, the government has administered a \$1.8 billion “Clean Coal” Technology Program (CCTP) through the U.S. Department of Energy. However, a series of reports from the General Accounting Office (GAO) have documented egregious waste, mismanagement and failure in the use of CCTP funds. These new programs would cost taxpayers \$3.8 billion over the next 10 years. Both programs contain provisions that prevent technologies developed by these programs from being used to determine whether new emission standards are achievable under the Clean Air Act.

**Continues the existing coal research and development program.** The bill establishes a federally funded research and development program to ensure coal remains a cost-competitive source for electrical generation, as chemical feedstock, and for transportation fuels (Title IX, sec. 935). This program also supports the producing, refining and burning of coal. This provision will cost taxpayers more than \$1.422 billion over the next five years.

**Creates new loan guarantees for coal plants.** The bill authorizes loan and loan guarantees for coal-fired power plants (Title IV, sec. 411, 412, 413, 414). The section 411 loan would lend \$125 million to the Healy Plant in Alaska to convert an existing “clean coal” plant into a regular coal burning plant. The three loan guarantees in the bill would be used for various projects around the country. According to the Congressional Budget Office the loans would cost at least \$1.5 billion.

The coal provisions are one aspect of an overall bill that is a dangerous assault on our health, our environment and our pocketbooks. It threatens our public lands and coastal resources, promotes dangerous nuclear proliferation, threatens America’s rivers and hands over billions in taxpayer dollars to well-heeled energy interests. Friends of the Earth urges you to oppose this dirty, dangerous and costly bill.

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