



Opening Remarks and Summary of Testimony
Paul Thompson, Chairman of the Board
FutureGen Alliance

Before the
U.S. Senate Appropriations Committee
Subcommittee on Energy and Water Development
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Chairman Dorgan, Ranking Member Domenici and members of the Subcommittee, thank you for inviting me to share my views on the FutureGen program.

I am Paul Thompson, Chairman of the Board of the FutureGen Industrial Alliance. The Alliance is a global, nonprofit consortium of thirteen energy companies formed at the request of the U.S. Department of Energy (DOE) to co-fund, design, and construct the world's first, full-scale near-zero emission coal-fueled power plant with hydrogen production and 90% CO₂ capture and sequestration. In addition to my role as Alliance Chairman, I am Senior Vice President with E.ON U.S. Energy Services. My responsibilities at E.ON. include power generation, transmission, and wholesale energy marketing at our operating utilities: Louisville Gas and Electric and Kentucky Utilities.

I respectfully request that my full statement be made a part of the record.

In my opening remarks, I will summarize my full statement including addressing three topics:

1. My view on the enormous benefits of FutureGen at Mattoon,
2. Project costs, and
3. The Alliance's view on DOE's restructured approach.

With respect to my first point, climate change is one of the most pressing, and most challenging, environmental concerns we face globally. Irrespective of which specific climate policies are ultimately adopted, the success of that policy and our economic future, will hinge on the availability of affordable low-carbon technologies.

FutureGen at Mattoon offers the opportunity to advance many technologies faster and further than any other project in the world. President Bush is to be commended for originally launching it.

FutureGen at Mattoon will meet or exceed all low emission goals, including 90% CO₂ capture, which DOE has reported to Congress numerous times as essential to our energy future. Also, it is a fully integrated plant based on commercial-scale component technologies.

Importantly, and unlike entities that will participate in DOE's restructured approach, the FutureGen Alliance is a non-profit enterprise and every Alliance member company has agreed to forgo all rights to intellectual property and revenue sharing. This will enable the Alliance to share important findings from the project with the nation and world, which will foster rapid, widespread commercial deployment of the technology.

FutureGen at Mattoon has five years of demonstrated successes, such as:

1. Using a first-of-a-kind siting process, which can and should serve as a model for future commercial projects, a site that is ready to go has been selected on a fair, non-political and competitive basis. That site is Mattoon, Illinois. The selection of this site relied heavily on scientific expertise within the DOE laboratory system and premier scientific institutions. Selecting the site included addressing the complex issues associated with legal, liability, regulatory, and site geology. It will take years for new projects to go through this process.
2. Based on extraordinary work by the States of Illinois and Texas, the Alliance, DOE, and many other institutions, a nearly 2000-page final environmental impact statement has been issued by DOE, which concludes the Mattoon site is environmentally acceptable.
3. A team of nearly fifty engineers and scientists have completed an initial conceptual design and initial cost estimate for the project, and far along on the next phase of design and more detailed cost estimate.

This leads me to my second topic, project cost. DOE cites an original project cost of \$950M, which is in constant FY04 dollars. The total estimated project cost in as-spent dollars through 2017 is \$1.8B. The difference between the two numbers is inflation not scope changes. DOE has acknowledged this on numerous occasions. After three months of review and negotiation, DOE accepted these costs when they signed the Cooperative Agreement that governs the project. It is difficult to understand why these costs were acceptable in March 2007, but in January 2008 they formed the primary basis for terminating the project. Given that the nation appears to be on the cusp of a massive effort to regulate CO₂ emissions that will cost electricity consumers across the nation hundreds of billions of dollars over the coming decades, we believe it is reasonable and necessary to invest this \$1.8 billion dollars on the front-end to prove out the technology.

Just as important as the \$1.8B cost is what the non-profit Alliance has offered to do to mitigate the government's financial exposure:

- First, we are contributing nearly \$400 million;
- Second, as a non-profit venture, hundreds of millions of dollars of revenue from electricity sales will be used to either offset project costs or be invested

in public benefit R&D—industry will never receive a single dollar of profit from this project; and

- Third, after the project’s mission is fulfilled and the plant is sold, DOE will be repaid in part or in full for its investment. Unlike DOE, industry Alliance members will never receive a single dollar of repayment for investing nor will they receive any intellectual property benefits.

We are very mindful of the fact that appropriated dollars are a limited and valuable resource, but we believe that FutureGen at Mattoon is a good investment for our nation, and I reiterate our offer to the DOE to explore reasonable avenues to mitigate the federal government’s exposure.

Moving to my third topic, DOE’s proposed restructuring, we are disappointed in DOE’s abrupt and unjustified change in course.

The Department has cited a changing marketplace and cost-related issues as the basis for their decision. I’ve already spoken to cost, so I will briefly address the changing marketplace. While there are numerous proposed IGCC projects, it is widely recognized within industry that very few of these projects will come to fruition. In fact, since DOE signed the Cooperative Agreement in March 2007, the number of commercial IGCC projects has declined not increased. Those few projects which are proceeding, which we applaud, face both financial and regulatory challenges. Thus, the market is not as mature or stable as DOE has implied.

Further, should DOE’s restructured approach move forward, it has a number of business, technical, and financial issues which must be addressed. Importantly, it is underfunded. An underfunded approach to such a massively complex problem using several small projects attached to commercial ventures did not make sense for landing men on the moon and it does not make sense for solving the climate change challenge.

In a House hearing last month, DOE also acknowledged that their new plan will result in up to five years of delays. Further, DOE testified that they may not meet the critical goal of 90 percent CO₂ capture. This delay and reduced standards do not make sense.

In recent Senate testimony on their new plan, DOE suggested that two projects would be better than one. Yet as it stands now, we have none. FutureGen at Mattoon is already five years down the path of success, and it would be a huge mistake to move backward on the progress we have already made.

In closing, as Chairman of the FutureGen Alliance Board of Directors, I want to convey our unwavering commitment to the continuation of FutureGen at Mattoon. We remain open and willing to work with the Congress and the Department of Energy to put FutureGen at Mattoon back on the fast track.

That concludes my opening remarks and I welcome the committee’s questions.