

COAL-TO-LIQUIDS TRANSPORTATION FUELS -- (Extensions of Remarks - May 23, 2006)

[Page: E930]

SPEECH OF
HON. NICK J. RAHALL II
OF WEST VIRGINIA
IN THE HOUSE OF REPRESENTATIVES
TUESDAY, MAY 23, 2006

- Mr. RAHALL. Mr. Speaker, for decades this Nation has been researching, debating, drafting, and redrafting national energy policy. Unfortunately, the long gas lines of the 1970's that motivated the kind of original thought needed to end our dependency on foreign oil slipped from our memories as supplies increased and prices dropped. Today, we are punished with oil prices floating in the range of \$75 a barrel, record prices at the pump, and an unstable world market for the foreseeable future.
- At the same time, according to the Department of Energy, \$35-\$45 a barrel oil is attainable from a source within our borders. It is our most abundant domestic energy resource--coal. With technology that has been around for decades, coal can be liquefied and turned into a liquid fuel, and eventually sold for approximately half of what we are paying now per barrel.
- The true value of coal is misunderstood and many ignore its potential to free us from foreign oil at our own peril. We risk stepping into the same trap that has caught so many promising energy policy advances by the ankle for decades.
- Research has brought us a long, long way from the days of smokestacks and gray skies. True, there remain many less efficient, older generation power plants in this Nation, but largely because, while the Government draped oil companies in rich tax advantages, it devoted mere dribbles of money to providing incentives for clean burning coal plants.
- Thirty years of government and private-sector research and development has created a product, according to the Department of Energy, that is cleaner than required under EPA Tier II fuel standards. And with this Nation's refinery capacity operating on all cylinders, these fuels would fit right into our energy mix as they would require very little additional processing. Coal-to-liquids can curb our appetite for foreign fuel.
- Disturbingly, however, for all of our Nation's pride in our competitiveness and innovation, we stand behind a number of other countries in liquefying coal to end our foreign oil dependence.
- For instance, these fuels represent about one-third of the consumption in South Africa, which began its production and use in the 1950's using the Fischer-Tropsch process developed during the 1920's by two German researchers. China, India, and Indonesia, recognizing the problems of relying on foreign sources of oil, are all aggressively pursuing coal liquefaction as key components of their energy production. For the U.S.,

our continued myopia about coal liquefaction is particularly numb-headed, since coal is our most abundant natural energy resource.

- In order to catch up to the rest of the world, a position to which the U.S. is unaccustomed, we must invest in our future and Congress began to travel down this road with the reauthorization of the Nation's surface transportation laws last year by including two new excise tax credits aimed at promoting the use of alternative transportation fuels, including liquid fuel derived from coal.
- While a helpful first step, due to the restrictive nature of the existing tax credit, I am pleased to join my colleague *John Shimkus* and others in introducing legislation aimed at helping far-sighted firms better afford their foray into coal liquefaction. Our bill would reduce some of the risk that these firms and their investors take as they try to lead our Nation into a new energy frontier.
- Simply put, our legislation would extend until 2020 the 50 cents per gallon tax credit for liquid fuel derived from coal that is set to expire in 2009. The legislation does not address other alternative transportation fuels, just coal-to-liquids.
- The aim is to provide a level of predictability for a number of years to those willing to put money into coal-to-liquids production. It would help to smooth out some of the ups and downs associated with fluctuating oil prices and the gamble investors make in the financing of these high-tech energy ventures.
- Unfortunately, while other governments have been footing the bill for this kind of research and development for decades, our Government has been ``playing footsie" with Big Oil. In comparison to the big tax giveaways enjoyed by the oil industry, precious

[Page: E931]

few U.S. budgetary resources have been devoted over the years to cutting-edge coal technologies. This is mind-boggling policy, given coal's abundance on our own shores.

- The United States will never drill its way out of our oil dependency. But using proven, coal-to-liquid technology and American initiative, we could revolutionize our way to a new energy era. This bill helps to level out Federal tax policy that has long been tilted against the public in favor of rich oil companies.

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