

19th Annual State of the Energy Industry Forum

Washington DC

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Good afternoon. My name is Michelle Bloodworth for those who don’t know me. Thank you, Sheila, for inviting me and providing an opportunity for all voices to be heard. I appreciate the opportunity to participate with such a distinguished group of speakers, and I look forward to this event because it gives us the opportunity to talk about the challenges and opportunities that lie ahead.

**Introduction**

There are at least two things I hope you will take away from my remarks today.

**First**, our nation needs a genuine all-the-above energy strategy that promotes economic growth and energy security. By genuine, I mean a strategy that does more than give lip service to all-the-above. Right now, our energy strategy and decisions are driven, at times, more by biased preferences and wishes than by realistic considerations.

The U.S. needs to take advantage of all electricity resources that can provide reliable, resilient, and affordable electricity. These resources include fossil fuels, nuclear power, hydro, wind, solar, battery storage, demand response, and likely others in the future.

The war in Ukraine has taught the world many energy lessons, especially (1) the need for countries to be energy secure, (2) the geostrategic importance of energy, and (3) the risk to national and economic security when countries become overly dependent on just a few resources.

**Second**, the coal fleet has to be an essential part of an all-the-above strategy for the foreseeable future because it provides –

1. A very high percentage of accredited capacity (90%) to help avert capacity shortfalls during periods of peak demand, such as extreme weather;
2. Fuel security (an average of more than 60 days of on-site fuel);
3. Most of the other reliability attributes (including essential reliability services) that are needed to keep the lights on; and
4. Optionality for the grid when other electricity resources are not available or are too expensive.

**Grid Transition**

The grid continues its transition to lower carbon electricity sources, especially wind and solar power. Between 2015 and last year, 220,000 MW of wind and solar capacity were added to the grid. However, there are still a number of big obstacles that must be overcome to achieve a problem-free transition. These include –

1. The cost of replacing carbon-emitting resources ($1 trillion);
2. The cost and difficulty of adding new transmission;
3. Maintaining the reliability and resilience of the grid;
4. Modifying market rules;
5. Paying for stranded costs;
6. Allowing time for technology innovation including carbon capture and other advanced coal technologies; and
7. Ensuring the transition is just.

We must be realistic and allow time to overcome these and other obstacles.

**Coal Retirements**

Fifteen years ago, the generating capacity of the coal fleet was more than 300,000 MW. For a host of reasons, the coal fleet has shrunk to less than 200,000 MW today but still provided 22% of U.S. electricity last year. By comparison, wind and solar provided 12%. However, half the remaining coal fleet has announced plans to retire by 2030, and we estimate that retirements could increase dramatically during 2026-2028 because of EPA rules.

The accredited capacity of coal-fired generation is 90%, while the accredited capacity of wind is a little less than 17% and the accredited capacity of solar will decline from 50% to 20% as more solar is brought online. What this means is that 1,000 MW of coal capacity are expected to provide 900 MW of power when electricity demand peaks, but wind is expected to produce only 170 MW of electricity at peak demand. Looking at it another way, coal is six times as dependable as wind and twice as dependable as solar. Battery storage will eventually improve the capacity values of wind and solar, and that’s another reason why the grid transition needs to be gradual.

MISO, for example, has projected that its system will have 232,000 MW of *nameplate* capacity in 2026 but only 176,000 MW of *accredited* capacity. By 2031, the MISO shortfall between accredited and nameplate capacity widens to 71,000 MW. Neither projection takes into account coal retirements that are likely to be caused by EPA regulations. The U.S. cannot afford to have retiring capacity outpace additions, especially at a time when electrification of the economy (e.g., more EVs) is increasing electricity demand.

**Warnings**

Energy officials have warned that large regions of the country are at risk of electricity shortfalls due in part to the retirement of dispatchable resources like coal. For example, NERC recently said, *“We’re having what we would* *call a disorderly retirement of older generation, which is happening too quickly.”*

Grid operators realize that these capacity shortfalls must be addressed, but the extent of coal retirements is still not fully appreciated. Last August, we provided analysis to NERC to explain that its “confirmed” coal retirements of 25,000 MW used as the basis for its 2021 Reliability Assessment constituted only a fraction of the more than 100,000 MW of coal that have announced plans to retire. I want to commend NERC for increasing its retirements to 88,000 MW in its 2022 Reliability Assessment, but additional analysis is still necessary, especially the impacts of EPA rules.

**Extreme Weather**

I’d like to take just a moment to mention coal’s role in providing power during Winter Storm Elliott. Efforts are underway to determine lessons learned from the storm. However, based on preliminary data, coal provided almost half the additional electricity during the height of the storm in the PJM region, 35% in MISO, and almost 40% in SPP. The coal fleet has on-site fuel, which gave coal plants immediate access to fuel when needed.

**Suggestions**

Let me close with a few suggestions we think will help to maintain grid reliability:

1. Grid operators should identify attributes that are necessary for reliability and ensure that market rules are designed to provide just and reasonable compensation for those attributes. MISO, for example, has identified six reliability attributes. Coal provides five out of six. FERC should do more to encourage such efforts by the grid operators.
2. Utility commissioners and grid operators need to pay more attention to coal retirements, EPA regulations, and their consequences.
3. Federal agencies should conduct formal reliability assessments for rules and policies that could adversely impact grid reliability.
4. EPA should pay careful attention to the concerns of FERC, NERC, grid operators and utility commissioners and design its rules to minimize retirements of coal and other dispatchable resources.
5. NERC should continue to assess the reliability impacts of a *realistic* number of future coal retirements. A realistic assessment by NERC would provide an even better indication of potential reliability problems and a baseline against which to gauge the impacts of additional retirements, such as those caused by EPA regulations.

Closing

We asked in a recent poll what is most important to people about their electricity: that it is reliable, affordable, or produced by wind and solar? Reliability ranked number one followed closely by affordability. Both of these ranked far ahead of wind and solar. My point is that having a reliable supply of electricity is more important than where it comes from, so let’s not sacrifice reliability during the transition. As I said in the beginning, our nation needs a genuine all-of-the-above energy strategy that takes advantage of coal and other resources to assure a reliable grid.

Thanks again for the opportunity to speak today. I would be pleased to answer any questions.

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