

CMS Energy

Financial Risks of Reliance on Coal

Whereas: Coal-dependent electric utilities face numerous challenges and uncertainty regarding environmental compliance costs, coal price-volatility, and the cost of carbon capture and storage for coal plants. This unprecedented combination of forces has led companies such as Progress, Duke and Xcel to announce coal plant retirements.

In May 2010, CMS announced plans to halt building an 830MW coal plant near Bay City, Michigan. However, CMS remains heavily dependent on coal: 96% of CMS's generated electricity is from coal.

Coal combustion for electricity is a major contributor to air pollution and 98% of CMS's SO₂, 95% of its NO_x, and 95% of its CO₂ emissions are from its coal-burning activities.

EPA is developing a regulatory program for CO₂ and other greenhouse gas emissions. However, the lack of national climate policy to reduce CO₂ emissions further adds to the uncertain economics for coal plants. Commercial deployment of carbon capture and storage technology is 10 to 15 years away and "would increase electricity costs by about 30 to 80 percent," the U.S. Government Accountability Office reports.

EPA is moving, in some cases pursuant to court order, to tighten regulation of the air, water, and waste impacts of coal plants. EPA must issue new rules by 2014 governing wastewater from power plants, which are responsible for "a significant amount" of toxic pollutants such as mercury and arsenic discharged to surface waters. EPA's pending regulations on storage and disposal of coal combustion wastes will likely increase operating costs for coal plants.

Industry analysts (Bernstein Research, Jeffries & Company, Standard & Poor's, Wood Mackenzie) have concluded that the cost of additional environmental control equipment for NO_x, particulates, and mercury may make it uneconomic to retrofit some older coal plants.

Declining coal reserves in central Appalachia, unprecedented coal price increases and volatility, versus abundant supplies and record low-prices for cleaner burning natural gas, and declining costs for wind and solar energy make continued reliance on coal increasingly problematic.

Resolved:

Shareowners request that CMS's Board of Directors, at reasonable cost and omitting proprietary information, issue a report by November 2011 on the financial risks of continued reliance on coal contrasted with increased investments in efficiency and cleaner energy, including assessment of the cumulative costs of environmental compliance for coal plants compared to alternative generating sources.