
Recession reports - Downturn speeds coal long term decline in US

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Reuters reported that declining industrial electricity demand and an abundance of cheap natural gas will threaten coal's status as the dominant US fuel to generate electric power, even after the economic recession ends.

Analysts and executives said that power companies are reducing use of coal plants because of declining demand from heavy industry, the economic sector hardest hit by the recession. The loss of industrial base load looks long term.

Natural gas fired plants, easier to stop and start have remained busy serving commercial and household power demand, which varies hour by hour and has been less affected by the recession. Meanwhile, generators' reasons for preferring coal for base load lower cost and more reliable supply weaken with every shale gas discovery which drives gas prices down and suggests gas will be plentiful for years to come.

Mr Lonnie Carter CEO of Santee Cooper, South Carolina's state owned power and water utility said that "The recession's impact on our industrial customers has been significant. We anticipate that as the economy recovers from this economic downturn, long term power needs will be lower."

Mr Nick Akins executive VP of American Electric Power Company said that "We may be in a situation where we are redefining how much coal fired generation we need."

According to EIA data, the decline occurred despite the fact that coal remains cheaper than natural gas. Average gas prices have fallen to USD 3.83 per MMBtu in Q2 2009 from USD 11.73 in the year ago quarter. Coal prices soared in 2008 but YoY have held steady at USD 2.24 per MMBtu in the Q2 of 2009 versus USD 2.04 in the Q2 of 2008.

US government data showed that total electricity sales in June were 7.3% below the same month of 2008 but industrial consumption fell 14.6%. And industrial electricity demand growth will be the laggard out to 2030 in a generally slow growth period for US power.

According to government estimates, US demand is expected to grow 26% between 2007 and 2030 while industrial demand should grow 7%. In the same period, commercial demand will grow 38% and residential 20%.

(Sourced from Reuters)

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