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Good evening Mayor Hanrahan and City Commissioners. My name is Ed Brown and I am here representing myself. I have some information I would like to share with you and the people of Gainesville about the coal industry that I think is important to consider before you make a decision.

We've been told by many sources that coal is now the energy of choice because it is cheap and the supply of coal will be stable over a long period of time.

GRU says, when comparing coal to natural gas: "Solid fuels like coal and petroleum coke are better choices because of their greater availability [and] long term price stability"

Do you remember the promises of low prices and abundant supplies for oil and natural gas in the past?

If you look behind the marketing hype you will find an industry poised to raise prices significantly and a supply that is far from stable. Let's look at the industry.

Demand

The shift away from natural gas to produce electricity has increased the demand for coal dramatically in the past few years. Significant increases in demand are also on the way. Between now and 2012 the US has plans to build over 100 new coal plants, China and India plan 750, and other countries have over 340 new plants in various stages of development. These numbers don't include the many communities around the world, like Gainesville, who are considering coal fired-plants.

Supply

The Department of Energy predicts a "Higher than usual rate of mine closings (2003-2005) in the East, where GRU gets its coal, due to "bad geology" or reserve depletion". They also report that longwall reserves are dwindling, deeper mines are required to find coal, and the coal beds are now thinner. Finally, they predict that coal imports will double by 2012 and triple by 2025.

Commissioner Braddy was right when he said in his recent article in the Gainesville Sun, "Of course the law of supply and demand is not suspended upon entering Alachua County airspace".

Higher demand and lower supply will drive up prices!

Industry Consolidation

In 1984, the top five coal producers had 24% of the coal market. In 2003, they had 53% and the top ten owned 67% of the market.

In market terms this is called an oligopoly which is defined as - a market condition in which sellers are so few that the actions of one of them can significantly affect price. Consider the impact of another energy oligopoly, OPEC, on our energy history.

Transportation and Infrastructure

Four railroads transport the majority of US coal. The investors in these railroads have recently expended billions of dollars in mergers and infrastructure improvements and they are demanding a higher return on their investments. Rail congestion is another problem. Transportation prices are on the rise!

Investors

Coal companies are now the darlings of Wall Street. Many investors are making lots of money on coal and they see a rosy future for their profits. The four largest US coal companies have seen stock appreciation of 50-100% in the past year.

Interest in coal hedge funds is rising. These investors see lower natural gas supplies and higher long-term prices for oil, natural gas and coal.

Paul Allen, the second richest man in America, has invested heavily in coal and oil recently. His company, Vulcan Partners the #7 coal producer, was recently sold at a large profit to the #3 coal producer!

Wilbur Ross the man who led a group of investors in the steel industry to huge profits at the expense of the steel workers and the US government has

decided to turn his talents to the coal industry. Ross made \$300 million and his partners pocketed \$2.1 billion in the steel industry.

Ross and his partners recently formed International Coal Group and bought three bankrupt coal mines. In September he won approval to offload the \$132 million in pension liabilities of one of these companies to the US government. He then sold parts of that company at a large profit.

These people are not investing billions of dollars because they think the price of coal is going to stay low and the demand/supply relationship is going to stay in balance.

Clean Coal support from the US government

In October 2004 the president of the United Mine Workers of America said this:

“When he ran for president in 2000, President Bush told coal miners he would spend \$2 billion over 10 years for clean coal technology, or \$200 million per year. In his first two years he requested \$150 million, lowered it to \$130 million last year, and this year dropped it to \$50 million. Bush also proposed to cut the fossil energy budget this year by about a third, including a cut of nearly \$145 million for coal.”

It is clear that the administration's support for coal technology improvements has dropped off. How do we keep prices low, our air clean, and supplies stable when we are cutting investments in clean coal technology?

The price of coal

According to the DOE in the past three years the spot price for Central Appalachian coal has jumped 100% and the spot price for Northern Appalachian Coal has risen 47%.

Traditionally, the spot price of coal - the price for contracts of less than one year - had little influence on the long-term contract price for coal. However, the spot price has stayed high for a longer period than usual and industry experts are saying the new long-term contracts being signed in the next 1-3 years will reflect this higher price. Investors are counting on this!

Summary

You all have a great responsibility to make the right decision for your families and the people of Gainesville. I don't envy your position right now, but it's a time to be frank! A decision to support this plant largely based on its economic promise will be a big mistake. Gainesville cannot afford to gamble \$550 million on the marketing pitch being made by the fossil fuel industry and Wall Street. Too much is at stake! We can't afford to put 90% of our energy generation assets in the coal industry. It's just too risky!

We have other choices. I sent a request for more time to speak just after the last meeting and was denied. I wanted to share with you some information about communities around the world that are making different choices. I would like to share that information with you at some later time. You need more information before you make your decision.

Albert Einstein once said: "It is impossible to solve a problem with the same means that caused the problem." We've got a big problem – we are addicted to fossil fuel and it's costing us dearly. Burning more coal is not the solution!

Thank you for the time and attention!