

CEO: Emissions control firms eye China while waiting for new rules

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By Wayne Barber

Makers of emissions control technology in the United States are still recovering from court rulings last year that threw out U.S. Environmental Protection Agency rules governing emissions from coal-fired power plants. That has led the CEO of one company to look closer at growing markets in China.

Utilities crave certainty, Fuel Tech Inc. President and CEO John Norris said in a July 28 interview. But certainty is hard to come by when federal rules that governed the “three Ps” — the pollutants sulfur dioxide, nitrogen oxide and mercury — have been thrown out by the courts and Congress studies sweeping legislation on carbon dioxide, Norris said.

Fuel Tech develops technology and provides engineering services for multipollutant control at fossil-fueled plants. The company, traded on the NASDAQ exchange, is especially noted for its NOx control programs. Norris, who holds a degree in nuclear engineering and has been president and CEO of Fuel Tech since early 2006, held senior positions at Duke Energy Corp. and American Electric Power Co. Inc.

Although an EPA official told a Senate subcommittee July 9 that she expects the agency to issue a new proposed version of the Clean Air Interstate Rule in early 2010, with a final version envisioned for 2011, Norris said Fuel Tech and other companies want Congress to promptly pass an improved version of CAIR and the Clean Air Mercury Rule.

“What people would like is for CAIR to be fixed” through legislation, Norris said. He noted that Sen. Tom Carper, D-Del., has backed a CAIR bill.

The U.S. Court of Appeals for the District of Columbia Circuit ruled in July 2008 that CAIR had “fatal flaws” and threw out the entire rule package. Months later, it was restored temporarily until a new rule is drafted. In February 2008, the District of Columbia Circuit also overturned the federal mercury rule.

While the rules were not perfect, the court’s action did not help air quality, Norris said. “It hurt the pollution control market. In my opinion, the air is not as clean as it would have been,” he said.

Utilities in many states were poised to agree to emissions retrofit contracts in the second half of 2008, with much construction expected to start in spring 2009. When the court rulings were first issued, utilities spoke hopefully of keeping up their investments, but the recession, coupled with regulatory uncertainty and other factors, has depressed the market.

US NOx market depressed; big potential seen in China

“The bottom fell out of NOx projects,” Norris said. The annual NOx allowance market price for 2009 is roughly \$650/ton credit. That is not nearly high enough for a utility to justify investing in a major selective catalytic reduction system, Norris said. Seasonal NOx allowances for 2009 are now trading at approximately \$145 per credit, compared to \$675 per credit earlier this year.

While Norris wants Congress to move swiftly on multipollutant oversight, he would like to see it take its time on climate change. “We don’t emit the most CO2 in the world, and we don’t need to destroy the U.S. economy over that subject,” he said.

If EPA modernized its New Source Review standards to encourage plant modernization, existing coal plants could become perhaps 10% more efficient, and that would blunt CO2 emissions, Norris said.

Today, Norris sees a tough road for many older, smaller coal units. “The ones that are very much on the bubble are the ones that are less than 200 MW,” he said, adding that unless those units can find ways to reduce costs and run cleaner, many will be shut in the next decade.

One place that coal plants are being built, and with regularity, is China. “It’s the hottest market around,” Norris said. “For folks in the air emissions business, China is the mother lode right now.”

Norris said he understands China could issue emissions control rules in the next two years that will aggressively address SO2 and NOx. A recent article in The New York Times said China now uses more coal than the United States, Europe and Japan combined. China could increasingly serve as a proving ground for emissions technology, Norris said. *i*