

CAIR ruling means more demand for emissions control equipment, says manufacturer

By Kerry Bleskan

The July 11 appeals court decision vacating the Clean Air Interstate Rule will help, not hurt, emissions control equipment sales, according to manufacturer Fuel Tech Inc.

The company, headquartered in Warrenville, Ill., makes pollution control systems, specializing in systems and processes to control NOx emissions. In a July 16 conference call, Fuel Tech President and CEO John Norris echoed the sentiments of seemingly all observers about the ruling by the U.S. Court of Appeals for the District of Columbia Circuit: “The ruling was a complete surprise to just about everyone,” he said. “I know of no one who remotely anticipated this outcome.”

Norris said Fuel Tech set up the conference call to reassure investors that demand still exists for their products. “The stock seems really stressed by people worrying that the sky is falling on us,” he said. “None of our current projects, nor any of our backlog, should be affected by this.”

The company’s stock trades on the NASDAQ market. Its stock lost about \$1 on July 14, closing at \$17.14 per share, and lost about \$2 more July 15, ultimately closing at \$15.51, with higher-than-average volume both days. The call was announced after 8 p.m. Eastern time July 15 and took place at 8:30 a.m. the next day. The company’s stock dipped even further, to as low as \$14.57, on July 16, before rebounding and closing at \$15.69.

Norris gave a rundown of the decision and what it might mean for the company. “We have talked now with many of our utility clients,” he said. “Clearly, utilities feel this is a major defeat for them, as it takes NOx control decisions somewhat out of their hands and puts it in the hands of their state governments.

“The major loss for them is the elimination of the allowance market. They feel that now they will have to put more controls on more units than they would likely have had to ... in a market-based approach, where they could have averaged the performance across the fleet,” Norris said. “This should ultimately mean more work for Fuel Tech.”

None of those utilities have moved to cancel any contracts, he said. This seems to be borne out by statements from utilities that said emissions program plans are not being changed, yet.

“Normally, when faced with uncertainty, utilities wait until the last minute to make capital projects decisions, and I think that’s likely here too,” Norris said. But states still have to meet the 2013 compliance deadlines for particulate matter and ozone. “The utility manager of one major potential project that we are trying to win — in a CAIR state, scheduled for 2009 — said that their state is moving quickly with its own regulations,” Norris said, “and they will need our technology more than ever without an allowance market.”

Additionally, many utilities have existing agreements with the U.S. Environmental Protection Agency or with state regulators that mandate emissions controls and are unaffected by the CAIR ruling.

Norris said he thinks states will follow the lead of North Carolina, where the state Clean Smokestacks Act established standards that are stronger than likely emissions reductions under CAIR. “The Clean Air Act puts the onus on the states,” Norris said. “I think states will act, independent of the feds, and want to be seen as green.”

“Nobody wants to be in a nonattainment area,” he said. “There are some pretty draconian things that can go on if you get into nonattainment designation.”

Judging from Illinois’ fast adoption of its own mercury standard after the fall of the Clean Air Mercury Rule, Norris said he thinks the state will move quickly on its own ozone program.

Without the ability to average emissions fleetwide, the emphasis will be on cost-effective controls, Norris said. “The advantage of overcontrolling on any one unit has gone way down.”

By coincidence, the company’s CAIR-state projects are complete or very near completion, and its list of likely projects are not in CAIR-affected states. It also continues to see high demand from China. Norris said he had expected most of the orders for retrofits to Chinese plants in 2011, “but part of that may happen earlier.”

“If [the ruling has] any effect on us at all, it might be to push some 2009 projects into 2010,” he said. “I don’t know if even we’ll see that.”