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U.S. Coal and the Electric Power Industry

Richard L. Gordon

Baltimore: The Johns Hopkins University Press, 1975. Pp. 213. \$12.50.

This book presents an analysis of coal as a fuel source for electric power generation. In recent years coal has been the largest source of fuel for electric power production, and the electric power industry has been the largest user of the nation's coal output, accounting for 66 per cent of total consumption in 1971. Thus, the author contends that a major determinant of the coal industry's future will be the competitive position of coal as a utility fuel.

The analysis focuses on the fuel choice and plant location decisions of the electric utilities. Past trends in fuel cost and consumption are reviewed for the period 1946-1972. Fuel procurement practices of the electric utilities are examined, and the author concludes that concentration is low on both the buyer and seller sides of the market. Further, the author indicates there is little foundation for the fear that purchase of coal companies by oil companies is creating energy monopolies. Examination of plant location decisions leads to the conclusion that: "The flurry of mine mouth projects in the sixties and seventies, therefore, *may* prove a temporary phenomenon at least unless public policy shifts towards encouraging such plants." Difficulty in finding suitable mine mouth sites for electric generating plants and reduced fuel choice flexibility are viewed as major constraints to future mine mouth projects, particularly in the East.

A second major objective of the book is to predict electric utilities' patterns of coal use in the 1980's. Natural gas is expected to have a limited future role as a utility fuel. However, both oil and nuclear power are viewed as serious competitors for coal in the electric power market. At the same time, coal is seen to face substantial difficulties as a source of synthetic fuels.

The problems facing coal fall into two broad categories, rapidly rising costs in eastern underground mining and air pollution problems that restrict coal combustion. Western surface mined coal has better prospects than most eastern coal because it can be mined at a much lower cost and because it generally has a much lower sulfur content. However, high transportation costs will limit its use in major eastern markets. In the author's words: "... economic and political trends prevailing up to 1973 were seriously worsening the competitive position of coal, not improving it."

A limitation of the book is that it summarizes major developments and trends only through 1973. Thus, the Arab oil embargo and subsequent events are treated very lightly. Since 1973 national

energy policymakers have indicated that coal will fill an increasing share of the nation's energy needs, both through increased use for electric power production and through use for synthetic fuel production. Nevertheless, those interested in U.S. energy policy will find this book a valuable contribution. It is a thorough review of the factors affecting coal use through 1973 in the nation's largest coal consuming industry. Moreover, it identifies the critical parameters affecting future coal use and, in this regard, its conclusions are as timely in 1975 as in 1973. The reader may wish to compare its conclusions with respect to future coal cost and consumption trends with those found in the *Project Independence Report* (1974) and other recent studies.

In summary, this is an excellent book which deserves serious attention. The wealth of data will be useful to many, and the analysis of fuel procurement, fuel transportation, and plant location decisions represent a major contribution to better understanding of the key decision variables. Readers will appreciate the bibliography and fine job of indexing which enhance the book's usefulness as a reference.

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