



**Hoosier Chapter**  
1915 West 18<sup>th</sup> Street, Suite D  
Indianapolis, Indiana 46202  
Phone: 317.822.3750  
hoosier.sierraclub.org  
david.maidenberg@sierraclub.org

May 24, 2009

The Honorable Steven Chu  
Secretary  
U.S. Department of Energy  
1000 Independence Avenue SW  
Washington, D.C. 20585

Dear Secretary Chu:

It is our understanding that Indiana Gasification LLC, a subsidiary of Leucadia Corporation, has submitted an application for a federal loan guarantee for a coal gasification (synthetic gas) project in Rockport, Indiana. The company plans to manufacture synthetic gas from coal for sale to Indiana utilities.

***However, we have serious misgivings about this project and request that the application for a loan guarantee be rejected.*** We believe the project is not viable, either technologically or economically, for the following reasons:

- \* ***Indiana utilities recently pulled out of contract negotiations with Leucadia, signaling that they do not believe the project is economically viable.*** As a result, the company lobbied the Indiana Legislature for passage of Senate Bill 423 that calls for the State of Indiana to sign a 30-year contract (with all current and future costs to be passed on to Indiana's ratepayers). Since the developers could not obtain the necessary commercial or private equity to secure a loan guarantee, they turned to Indiana's gas utility customers. It appears that the only way the plant can be built is through a taxpayer/ratepayer bailout!
- \* ***Consumer protection is compromised, if not eliminated,*** by not permitting reviews by state regulators over the length of the contract (30 years). Reviews of Indiana gas utilities currently are required every 90 days. In addition, no reviews are required to determine if the facility is needed or if the cost of the syngas is cost competitive or reasonable.
- \* ***Coal is no longer economically viable!*** Numerous coal-fired power plants have been cancelled in recent months and national coal reserves have been downgraded in favor of natural gas. In fact, many industry experts project that natural gas will soon be more economically viable than coal in view of new discoveries of natural gas supplies and modern drilling techniques. Coal prices are volatile and risky, and Indiana coal suppliers have refused to sign any 30-year contracts to supply the proposed plant. In short, the company cannot guarantee the production of pipeline quality gas more cheaply than traditional natural gas pipeline companies.

- \* *A realistic construction estimate cannot be projected*, since the developers have not conducted a FEED study.
- \* *Demand for (and cost of) gas products overall are anticipated to drop in view of technological advances and cost improvements in geothermal heating, solar photovoltaic and solar water heating. Studies also suggest that up to half the demand for gas in Indiana can be met using energy efficient practices.*
- \* From an overall climate perspective, sequestration of CO2 is still years away and no pipeline exists for transportation elsewhere. *Carbon dioxide from the proposed plant will simply be released to the atmosphere and add to Indiana's already proportionately large atmospheric pollution.* Locally, Spencer County (the plant's intended location) already emits almost as much toxic pollution as the State of California. The plant will thus exacerbate an already tragic situation!
- \* Rockport, IN, population 2,068 already has the dubious distinction of placing 33% more toxic chemicals into the local environment than New York City, Atlanta, Philadelphia, Pittsburgh, Chicago, Indianapolis, Seattle, Los Angeles and San Diego, *combined* (33 million+ population). *This proposal will significantly add to that existing burden creating a huge environmental justice issue.*
- \* *How will the project – and its costs – be impacted by carbon regulation?*

In the end, *Indiana's citizens are taking all the risks and potentially receiving very little, if any reward.* The company's touted \$3.8 billion in anticipated consumer savings is no more than a marketing ploy, since the contract states that, if such savings are not realized, the company will give the plant to the State of Indiana. In other words, Indiana's citizens will take on all of the liability, clean-up costs and health-related expenses, while these out-of-state investors simply walk away!

This is not the type of "good project" envisioned by the Department of Energy's recent statements. It is a 30-year contract with unknown costs and a "no look back" provision that effectively blocks adequate responses to market condition and subverts Indiana's long-term economic competitiveness. It misses opportunities connected with comprehensive end-use energy efficiency investments. It ignores anticipated technological advances and adds to global warming by not addressing carbon dioxide emissions. It will leave significant environmental devastation in its wake. In short, this proposed project puts Indiana taxpayers at significant risk, both environmentally and financially.

In the name of common sense and respect for America's citizens, we urge you to reject the loan guarantee request for Indiana Gasification LLC.

Sincerely,  
The Sierra Club Hoosier Chapter

David Maidenberg, Director