



# Incentives for coal liquification won't relieve gas pains

By Jim Waters

All this talk about taxpayer-funded subsidies for private companies to try for the umpteenth time to turn coal into oil and tick off the Arabs continues to sap *my* energy.

We've got politicians and bureaucrats rushing to embrace this folly faster than convenience-store clerks change the cost of unleaded premium on the signs outside their stores.

Kentucky's political leadership wants voters to think the idea of turning coal into liquid fuel represents novel thinking and technology. It does not.

However, the lobbyists and coal-company big wigs apparently have enough members of Frankfort's political regime convinced that taxpayer-funded "incentives" can keep Kentucky drivers motoring "happily ever after" by pumping coal liquid into their SUVs in the not-too-distant future.

Frankfort adults who still believe in such fairy tales should consider this: Several attempts to create the kind of coal-liquification technology that would provide viable substitutes to oil have become fuel for past taxpayer nightmares instead.

In the 1940s, Congress appropriated millions of dollars to enact the "Synthetic Liquid Fuels Act." In 1948, the New York Times declared it would result in energy – produced from coal, air, and water – in quantities sufficient enough to "free us from dependence on foreign sources of oil."

By 1952, these federal coal-to-liquid demonstration plants shut down.

In 1960, Congress (code: taxpayers) paid for construction of six synthetic fuels demonstration plants, including one in Cresap, W. Va. Proponents promised gasoline at 11 cents per gallon.

Didn't happen. In fact, the Cresap economic disaster called "Project Gasoline," went in the tank in 1970. (Can you imagine how much the government could have saved if big-spending West Virginia Sen. Robert Byrd's career had also ended at the same time?)

The most well-known energy-liquification effort occurred in the 1970s when an oil embargo threatened America's economy. Many of us maintain unforgettable images of long lines at gasoline pumps.

In one of many demonstrations of ineptness, President Jimmy Carter signed the 1980 Energy Security Act, authorizing money for the Synthetic Fuels Corporation (SFC) and charging it to produce a half-million barrels of oil per day by 1987. President Gerald Ford previously promised 1 million barrels of oil a day from coal by 1985.

Instead, the SFC shut down in 1985. Not a single coal-to-oil plant produced anything – except the loss of hundreds of millions of taxpayer dollars.

If turning coal into oil (and then into gasoline) represented such a great and profitable possibility, it would succeed in Kentucky if anywhere. The state holds a plentiful supply of coal. Mining costs remain fairly cheap.

The operative word is “if.” But it’s not going to work – at least not right now.

The politicians can spin a gusher of numbers on this. But a much-better indicator of the likelihood of success is whether private investors are interested enough to ante up *their* cash.

So far, they haven’t.

Otherwise, we wouldn’t have lobbyists prodding Frankfort to do this. The day the private sector believes such an effort viable and does not need to seek government subsidies to try and make it work, I’ll be the first one to say, “Things have changed, folks.”

Of course, once private investors get on board, we can only hope for what government should do: get the you-know-what out of the way.

Kentucky policymakers would do well to consider what Jerry Taylor, an expert on energy and environmental policy at the Cato Institute, told me:

“The economic merit of any given technology is inversely related to the amount of advocacy you hear for that technology in Washington or the state capitols. Only when private actors reject the technology do we start hearing about it in Washington or the state capitols.”

But the likelihood that most politicians will heed such wise counsel is about as good as subsidized coal-liquification ventures succeeding and huge amounts of taxpayer dollars remaining unspoiled.

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