



No Profitable Future for Navajo Generating Station

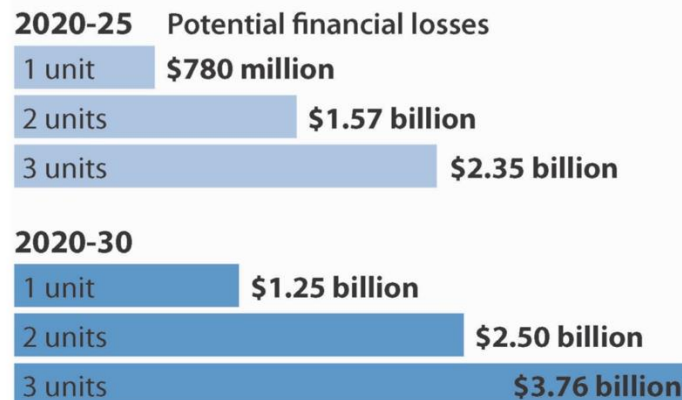
Driven by the fracking revolution and the rise of renewables, fundamental changes in U.S. electricity-generation markets have made Navajo Generating Station (NGS) obsolete.

The market forces that are putting NGS out of business are not likely to change, meaning that [the plant will remain commercially unviable](#) regardless of who owns it. Our research shows that if it is kept open, it stands to lose whoever owns it hundreds of millions of dollars annually.

Further, if the Navajo Nation were to take ownership of the plant, the Nation would most likely be liable for millions of dollars in cleanup costs.

The Price of Keeping Navajo Station Open

IEEFA estimates of potential financial losses for keeping the 750-MW units open for different time periods.



What About Kayenta Mine?

IEEFA has concluded that Kayenta Mine is [not likely to find new customers](#) or markets once NGS closes. The mine, like the plant, is a liability.

Opportunities and Payoffs in Closure

Under current plans to close NSG on Dec. 23, 2019, Navajo Nation will receive \$150 million from the current owners over 35 years and will retain ownership of valuable assets. All told, the closure deal is worth \$400 million to Navajo Nation. That agreement and those payments will be nullified, however, if the plant stays open.

Our research suggests that a responsible transition will include **job-creating reclamation activity and tribal development of utility-scale solar energy.**

While some leaders have called for what amount to tribal subsidies to keep the plant running, IEEFA sees funds far better spent on a forward-looking transition plan that would help the Navajo Nation turn the page on this aging coal plant and its supporting mine.

IEEFA sees further tribal investment in NGS as a loss-making proposition that would be throwing good money after bad, much like Navajo Nation's recent investment in Four Corners Power Plant, which faces the same fates as NGS.

Toward a Post-Coal Navajo Reclamation Economy

Often overlooked in discussions around NGS/Kayenta closure is the likelihood that reclamation work at the mine and the power plant will take years to finish and will require hundreds of skilled employees, many of whom work now at NGS or Kayenta Mine.

Cleanup work at NGS and Kayenta will take at least five years to complete, by federal government estimates, activity that can create a viable bridge toward a more diversified regional economic base.

A successful transition will require that the responsible parties be held accountable for their cleanup obligations.

It will require also that opportunities be exploited around the post-coal repurposing of NGS infrastructure, which can be retooled for utility-scale solar power generation of the type already being developed on Navajo lands and for which there is a growing market.

Toward a Post-Coal Navajo Utility-Scale Solar Industry

Various interests across the Navajo Nation are showing a growing commercial appreciation for possibilities in solar generation. This trend is driven in no small part by the [large-scale deployment of solar generation throughout the Southwest](#).

Few locales in the U.S. are richer in solar potential than the Navajo Nation. The region also has access to key transmission-line capacity that will come open with the closure of NGS. While utility-scale solar is not seen as a replacement for NGS job and revenue losses, it can be a component of a new tribal energy economy that can bring distributed economic benefits and greater energy independence to the region.

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State and Federal Funding for Navajo Transition

IEEFA sees great potential in state and federal funding for a transition along the lines of those seen in other locales around the county where coal-fired plant and mine closings have affected local economies. These initiatives have tapped abundant funding sources under arrangements that can be replicated in northeast Arizona.

IEEFA recommends an [NGS/Kayenta Mine transition plan](#) that includes the following:

- Adoption of a framework for long-term growth based on local entrepreneurial, labor and organizational assets and that addresses the immediate needs of businesses that will lose customers.
- Guarantees of new jobs for all of the workers affected by the closure of the mine.
- Fiscal support from state and federal sources totaling \$55 million in annual replacement revenues for the Navajo Nation and Hopi Tribes for at least five years.
- Professional administration with an annual budget of \$3.5 million overseen by a board to include tribal members, Arizona business leaders, federal officials, and worker representatives.

About IEEFA

The Institute for Energy Economics and Financial Analysis conducts research and analyses on financial and economic issues related to energy and the environment. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. www.ieefa.org

IEEFA's reports on the Navajo Generating Station can be found here:
<http://ieefa.org/category/subject/navajo-generating-station/>