

July 2014

Coal must be central to solving affordable energy challenge

A leading industry voice has called for Government to recognise the essential role of coal in securing the UK's energy supplies – and insists that it remains a vital part of the solution to the energy and climate challenge, lowering bills at a time of on-going uncertainty.

In its new report *Coal – a manifesto for affordable energy*, the Association of UK Coal Importers (CoalImp) says that keeping the lights on and delivering affordable energy to business and domestic consumers is so basic to a developed economy, that it must be central to future political and economic plans.

Coal provided almost 40 per cent of UK electricity in 2013, and as customers become increasingly concerned about their bills, the affordability of coal can and should form the cornerstone of a renewed focus on keeping energy costs as low as possible.

Imported and indigenous coal play a key role in a diverse energy mix of fuel sources, says CoalImp. And for the UK to continue to benefit from the world's most abundant and low cost fuel, it must take a leadership role with carbon capture and storage (CCS); there is no solution to climate change which does not include a solution for coal.

CoalImp welcomes the recent announcement of EU support for the White Rose Coal with CCS project in Yorkshire, and argues that the Government should now enable further projects to be developed under its Electricity Market reform process, to deliver its stated ambitions for 10GW of CCS by 2030.

Evidence shows that CCS will be economic alongside other low-carbon technologies, and is not only an essential technology for carbon mitigation, but an export opportunity for companies with an early-mover advantage.

However, existing coal generation capacity in the UK is under serious threat from current energy policies with most coal plants facing potential closure by 2020, without credible plans for alternative, affordable new build capacity to fill the gap. CoalImp insists that this 'cliff edge' would detract from the UK's capability to deliver coal with carbon capture and storage (CCS) as the skills and experience along the whole chain – including ports, mining, logistical infrastructure, and generation – were lost, and investments undermined.

The UK's unilateral Carbon Tax undermines the case for investments to meet environmental obligations under the EU's Industrial Emissions Directive (IED).

CoalImp maintains that this unsustainable tax increases electricity bills, undermines industrial competitiveness, exports jobs and encourages imports of fossil-fuelled power from the continent.

It also does nothing to reduce overall CO₂ emissions, which are subject to a pan-EU cap, so our European competitors can simply increase emissions and enjoy lower bills at our expense.

The Capacity Mechanism auctions planned for late 2014 provide the means to ensure that security of supply can be maintained, although not until late this decade, when capacity margins are expected already to be critical.

Managing director of CoalImp, Nigel Yaxley says: "With so much uncertainty remaining around the UK's energy mix, it's clear that coal remains an abundant and economically viable choice that can continue to make a very significant contribution to keeping the lights on.

"It's also clear that coal plant provides a flexible back up for renewables, with coal stocks the best virtual storage of electricity.

"There's never been a more important time for driving the benefits of indigenous and imported coal as part of a diverse energy mix, and we believe that it's time for urgent action to place it back at the heart of UK policy.

"Existing coal plant, upgraded to meet the NO_x and SO_x emissions limits of the IED, must be a more economic solution to future security needs than building new gas plant simply for back-up.

"Government should continually review the level of the carbon tax to ensure that the UK remains competitive on energy prices, and to avoid the premature closure of coal plants which are continuing to keep the lights on.

"If the costs and deliverability of the capacity mechanism are to be optimised for UK consumers, it is essential that coal generation is able to compete on a level playing field.

"Addressing these two related issues – Carbon Taxes and Capacity Mechanism – will help ensure that coal plant can continue to deliver affordability and security into the next decade, whilst maintaining the skills and experience base to allow the development of CCS."

Ends

For Additional Information

Nigel Yaxley 0207 1936108 / 07774 184841
Neil McDonald 01698 787855 / 07725 466737

nigelyaxley@coalimp.org.uk
neil.mcdonald@onlybeattie.com

Notes for Editors

CoalImp represents major coal users, rail companies, ports and other infrastructure operators in the UK coal supply chain.

The twenty two members account for the handling, transportation and use of the majority of imported supplies into the country, and are responsible for the transportation and receipt of the majority of all coal carried on the rail network for the electricity supply industry.

CoalImp believes that imported coal complements indigenous supply as a secure, economic, and essential part of the UK energy balance. Coal resources are plentiful, distributed more evenly around the globe than oil or gas, and coal is capable of being transported and stored safely.

The CoalImp report '*Coal – a manifesto for affordable energy*' is available from the CoalImp website www.coalimp.org.uk or in hard copy on request