

CoalImp – Review of the Year

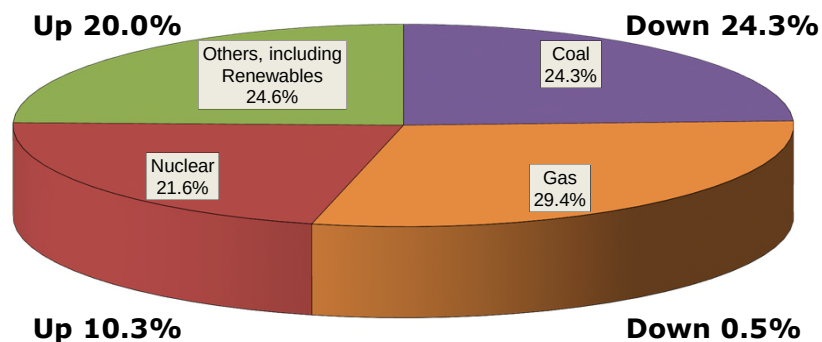
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www.coalimp.org.uk

Nigel Yaxley
Managing Director, CoalImp

Electricity fuelling from coal fell back below 25% in 2015...

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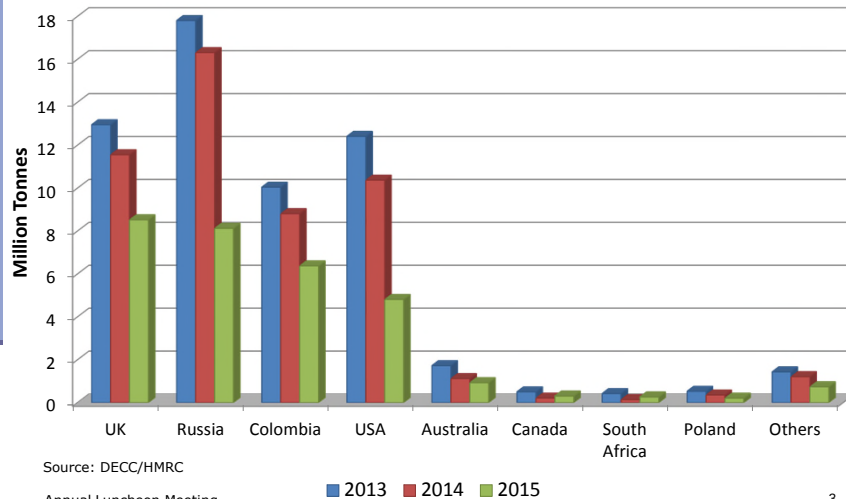
Source: DECC

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2

...with major falls from all coal supply sources

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April – The year starts with election fever

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- Conservative manifesto commitments on energy
 - "Without secure energy supplies, we leave British families and business at the mercy of fluctuating global oil and gas prices; we increase our dependence on foreign sources of energy; and we become less safe and less prosperous as a result"
 - "We have been the greenest government ever, setting up the world's first Green Investment Bank, signing a deal to build the first new nuclear plant in a generation, trebling renewable energy generation to 19 per cent, bringing energy efficiency measures to over one million homes, and committing £1 billion for carbon capture and storage"
 - "At home, we will continue to support the UK Climate Change Act. We will cut emissions as cost-effectively as possible, and will not support additional distorting and expensive power sector targets"

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May – Surprise result leads to Tory ministerial team

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- Amber Rudd – Secretary of State
 - Previously Parliamentary Under Secretary of State
- Andrea Leadsom – Minister of State
 - Previously Economic Secretary to the Treasury

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June – Pope Francis says gas is lesser of two evils

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July – National Grid warns of tight capacity margin

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Spare capacity of 1.2%

"It's clear that electricity margins for that coldest, darkest half hour of winter are currently tighter than they have been, due to power stations closures."

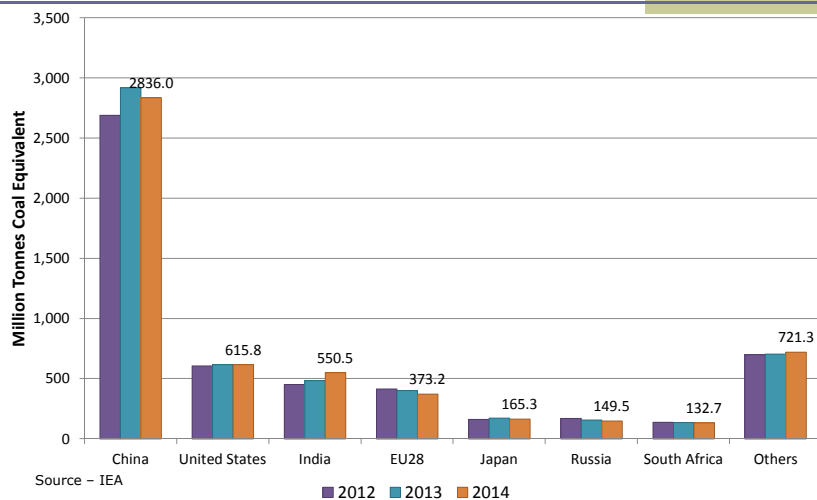
Cordi O'Hara
Director of Market Operations

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August – IEA confirms coal consumption growth stalled...

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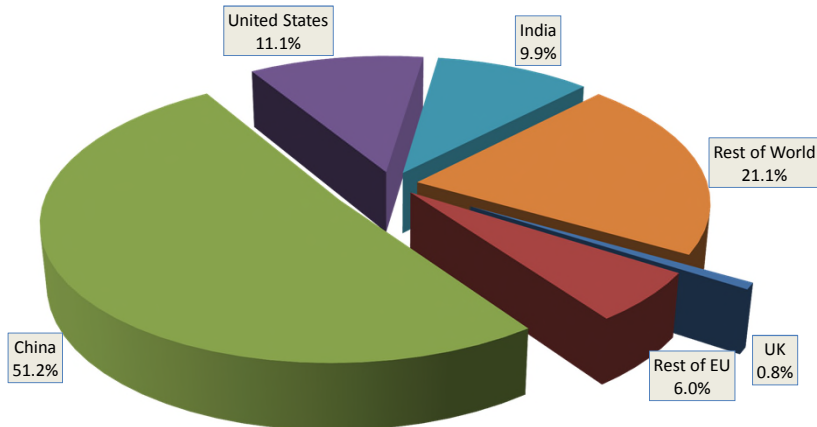


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...and reminds us of UK's
<1% share of world demand

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Source – IEA

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September – DECC acts 'to
prevent energy bills rising'

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- *"My priorities are clear: we need to keep bills as low as possible for hardworking families and businesses while reducing our emissions in the most cost-effective way."*
- *"Our support has already driven down the cost of renewable energy significantly. As costs continue to fall it becomes easier for parts of the renewables industry to survive without subsidies, which is why we're taking action to protect consumers, whilst also protecting existing investment".*

Amber Rudd



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October – CoalImp releases new circular

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Coal is needed to keep bills down and lights on during UK's decarbonisation

■ Coal-fired electricity is the most secure and flexible low-cost capacity on the UK system, providing around a third of generation, but this security is threatened by power station closures.

■ Against a backdrop of rising bills, fresh focus must be placed on energy affordability, with coal at the heart of the debate in providing affordable and reliable energy.

■ "It's clear that electricity margins for that coldest, darkest half hour of winter are currently tighter than they have been, due to power stations closures" - Córdi O'Hara, National Grid's director of market operations July 2015.

The UK's Carbon Tax exports emissions and jobs

Carbon taxes blamed as Longannet Power Station closure date confirmed
Source Press Association August 2015

The UK's carbon tax means that existing coal stations are closing prematurely instead of investing in pollution abatement equipment to support the transition to a low-carbon future. Evidence shows that the carbon tax increases

electricity bills, undermines industrial competitiveness, exports jobs and encourages imports of coal-fired power from the continent.

The tax does nothing to reduce CO2 emissions; these are subject to a pan-EU cap, so our European competitors can simply increase emissions and enjoy lower bills at our expense. Political and industry commentators increasingly see the carbon price floor as unsustainable,

There is no credible solution to climate change that does not include coal

By providing low cost, reliable electricity, coal can already address several of the most pressing issues facing the UK energy sector. Carbon capture and storage (CCS) will mean it can also be low carbon. The DECC-sponsored report of

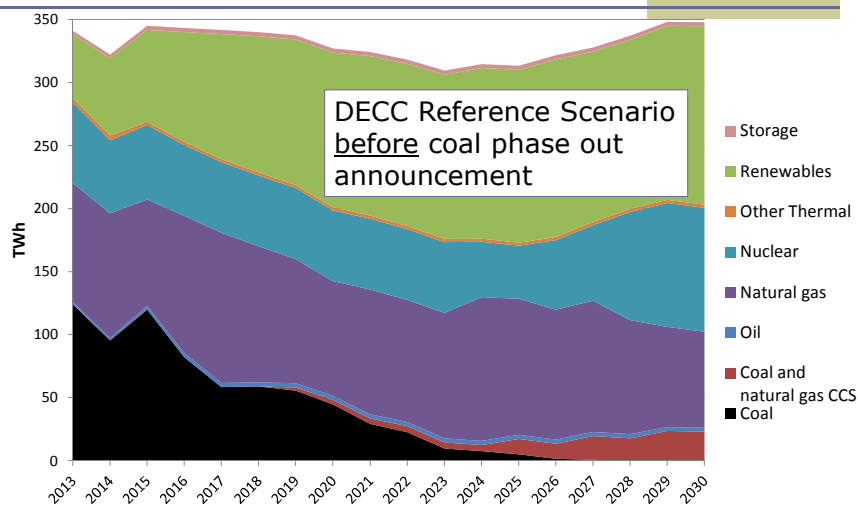
potential to compete effectively with other low-carbon forms of energy by the 2020's. Proximity to huge CO2 storage potential under the North Sea makes the UK an ideal place to develop this technology. The UK's existing coal infrastructure at ports and on our railways is another strategic advantage in the race to maximise the potential of CCS.

in a few years' time The UK has already lost the chance to take the lead with CCS and just as with technologies such as solar the economic benefits may be won by countries like China. However, if the UK acts fast it can still be a leading developer of this technology creating genuine economic and environmental benefits at home as

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November – 2025 coal end-date grabs headlines for UK...

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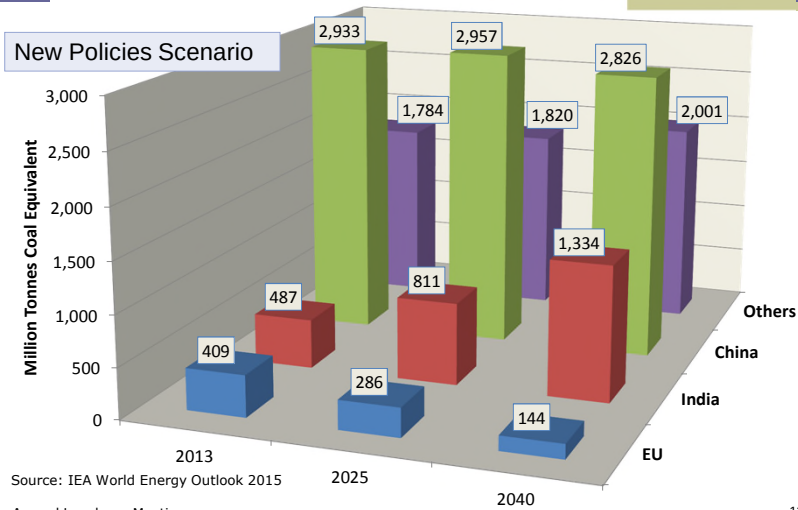


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12

...but IEA reminds us that coal is not going away yet

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...as Government cancels
£1 billion CCS funding

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December – COP21 heralds global deal...

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January – Government's CCS U-turn under attack

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Other changes in circumstances

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for developing CCS at lowest cost in...

Energy and business groups wrote to the prime minister this week to express "dismay and deep concern" about the decision to cut carbon capture funding.

"Since the decision was taken there has been a complete lack of consistent explanation for this significant change in policy, which is very damaging to the credibility of UK energy policy and your government's commitments on climate change," they said.

The signatories included the Association of UK Coal Importers and Producers; Aberdeen and Grampian Chamber of Commerce and the Energy Intensive Users Group.

Aberdeen & Grampian Chamber of Commerce

sandbag

UKCA
UK Hydrogen Fuel Cell Association

The Committee on Climate Change
17 Finsbury Square
London EC2A 3EA
Tel: 0207 616 1500 Fax: 0207 616 1501 www.ccc.org.uk

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16

February – Coal Forum meets the Energy Minister

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- The Minister flagged that there will be a consultation in the spring on proposals to close unabated coal-fired power stations by 2025 but stressed that energy security will not be compromised and so HMG will only proceed if confident that sufficient new capacity can be brought forward within these timescales. Attendees were encouraged to share their views on the proposal and respond to the consultation once published.
- The Minister recognised the decision to no longer make £1 billion of capital funding to support the commercial scale demonstration of Carbon Capture and Storage (CCS) available was disappointing for the sector. However, she emphasised the Government view remains that CCS has a potentially important role in the long-term decarbonisation of the UK and said HMG is now taking stock to determine its approach to CCS in the UK and considering next steps. As part of this, she invited the industry to engage with HMG to help develop CCS in the UK.

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March – Capacity Market is brought forward to 2017

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Press release

Reforms to Capacity Market to improve energy security for families and businesses

From: Department of Energy & Climate Change
First published: 1 March 2016
Part of: UK energy security

Today a series of changes have been set out that will guarantee our long-term energy security and will tackle the legacy of underinvestment.



Today a series of changes have been set out that will guarantee our long-term energy security. These changes will tackle the legacy of underinvestment and deliver an energy infrastructure fit for the 21st century, the Energy Secretary Amber Rudd has announced.

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CoalImp Members

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ABP	Banks Group	Celtic Energy	Clydeport	DB Schenker
Drax Power	EDF Trading	Engie	ESG	Fergusson Group
Freightliner	GB Railfreight	Hargreaves	Knight Energy Services	Lynemouth Power
Miller Argent	Oxbow Coal	Port of Tyne	Redcar Bulk Terminal	Scottish Power
SSE Energy Supply		Uniper		

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19