# CoalImp – Review of the Year

CoalImp
Association of UK Coal Importers

www.coalimp.org.uk

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## CoalImp – the background

CoalImp
Association of UK Coal Importers

- UK is now Europe's largest coal importer
- CoalImp launched April 2007
- Members – generators/users, rail companies, ports, supply chain operators
- What is CoalImp for?
  - "to present, promote and protect the role of coal in the UK with particular reference to imported supplies"
    - to be a representative body
    - to disseminate non-commercial information
    - to provide a forum for the exchange of non-commercial information
    - to promote the role of coal in the public arena

# UK coal supply 2007

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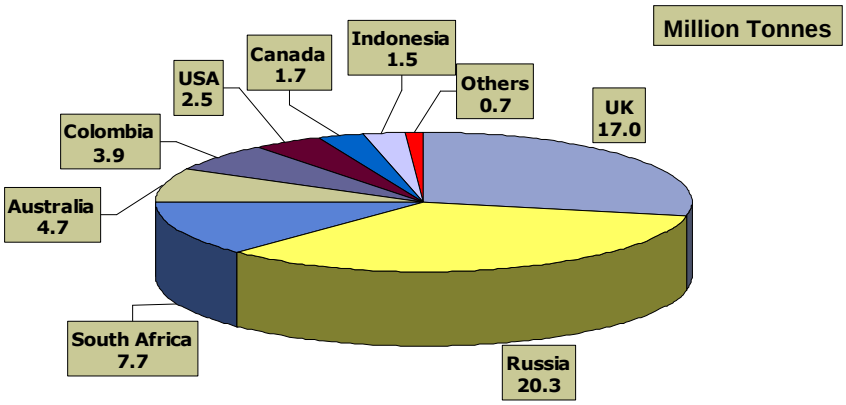


Source – DBERR/HMRC



# How we got here
## – UK Steam Coal Supply and Demand

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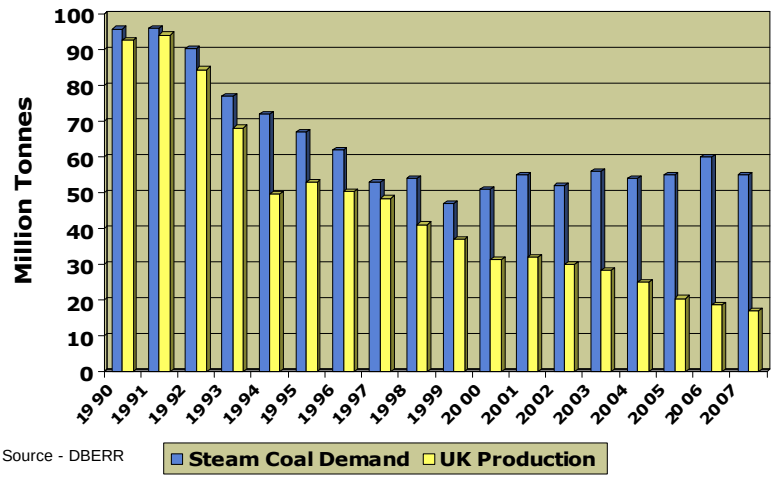


Source - DBERR

# Coal import sourcing 2007

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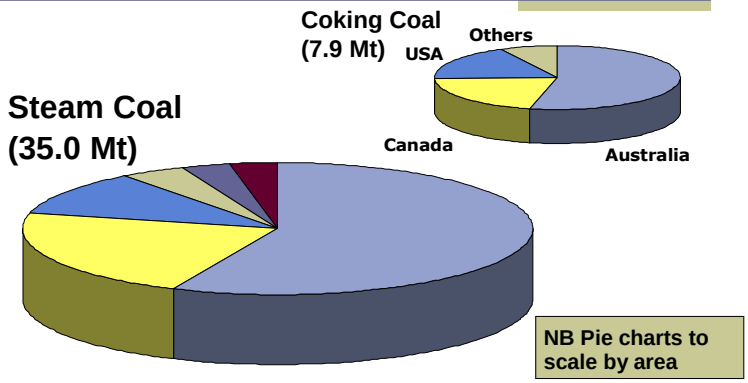


Source - HMRC

Russia | South Africa | Colombia | Indonesia | USA | Others



# 2007 power station fuelling

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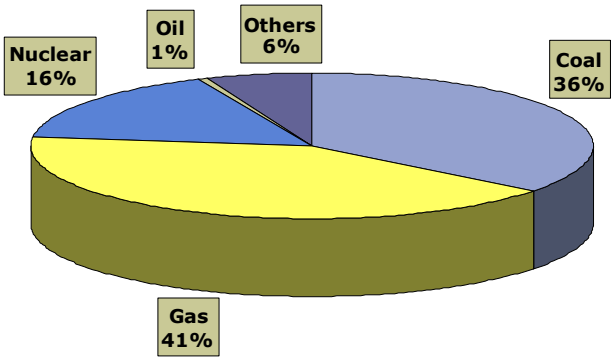

# A year ago…

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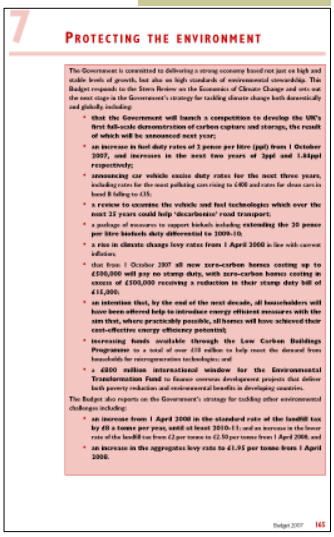
- Budget 2007
  - *"the Government will launch a competition…"*
- *"The UK can be the birthplace of the world's first full scale Carbon Capture and Storage (CCS) demonstration plant"*

  Alistair Darling



7 PROTECTING THE ENVIRONMENT

The Government is committed to delivering a strong economy based not just on high and stable levels of growth, but also on high standards of environmental stewardship. The Budget responds to the Stern Review on the Economics of Climate Change and sets out the next stage in the Government's strategy for tackling climate change both domestically and globally, including:

- that the Government will launch a competition to develop the UK's first full-scale demonstration of carbon capture and storage, the result of which will be announced next year;
- an increase in fuel duty rates of 3 pence per litre (ppl) from 1 October 2007, and increases in the next two years of 2ppl and 1.84ppl respectively;
- announcing car vehicle excise duty rates for the next three years, including rates for the most polluting cars rising to £400 and rates for clean cars in band B falling to £35;
- a review to examine the vehicle and fuel technologies which over the next 25 years could help 'decarbonise' road transport;
- a package of measures to support biofuels including extending the 20 pence per litre biofuels duty differential to 2009-10;
- a rise in climate change levy rates from 1 April 2008 in line with current inflation;
- that from 1 October 2007 all new zero-carbon homes costing up to £500,000 will pay no stamp duty, with zero-carbon homes costing in excess of £500,000 receiving a reduction in their stamp duty bill of £15,000;
- an intention that, by the end of the next decade, all householders will have been offered help to introduce energy efficient measures with the aim that, where practicably possible, all homes will have achieved their cost-effective energy efficiency potential;
- increasing funds available through the Low Carbon Buildings Programme to a total of over £18 million to help meet the demand from households for microgeneration technologies; and
- a £800 million international window for the Environmental Transformation Fund to finance overseas development projects that deliver both poverty reduction and environmental benefits in developing countries.

The Budget also reports on the Government's strategy for tackling other environmental challenges including:

- an increase from 1 April 2008 in the standard rate of the landfill tax by £8 a tonne per year, until at least 2010-11; and an increase in the lower rate of the landfill tax from £2 per tonne to £2.50 per tonne from 1 April 2008; and
- an increase in the aggregates levy rate to £1.95 per tonne from 1 April 2008.

Budget 2007 145



# May – Several members in the 'Dirty Thirty'…

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- 10 UK power stations on the list
  - (Germany 11)
  - *'…the UK appears to be the biggest "loser" in the report, because it has six more plants listed than it did in 2005.'*

… as Alex Salmond endorses clean coal

WWF

Dirty Thirty

*Ranking of the most polluting power stations in Europe*

May 2007

*for a living planet*

# … and White Papers for energy…

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*'We will launch a competition…*

*'Coal continues to play an important role in our energy mix. In autumn 2006, we established the Coal Forum.… Making the best use of UK energy resources, including coal reserves, where it is economically viable and environmentally acceptable to do so contributes to our security of supply goals.'*



# …and planning

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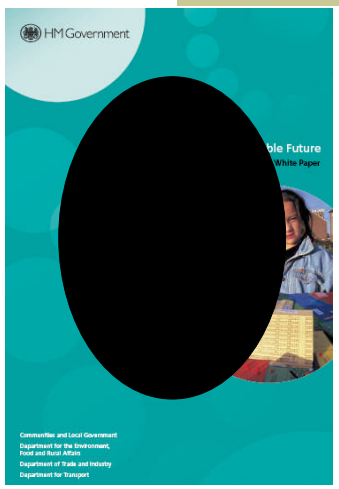

## June – Climate Change Bill consultation

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- Global context is key
- International coal use to grow dramatically
  - Cleaner coal and CCS essential worldwide
  - Unlikely without a lead from the West and the UK
- Greater certainty in regulatory framework to be welcomed
  - Should be structured to enable investment in cleaner coal/CCS
  - EU/international community must move together
- Otherwise jobs and emissions exported to developing world



## July – ORR to penalise coal on freight-only lines

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- CoalImp opposed to discrimination against ESI coal
  - Opinion that 'market can bear cost' is flawed
  - Charges will distort the market
- Concerns mitigated if overall level of track access charges is reduced
  - No flow should bear higher charges than present
  - Spread of charges is 'least of a number of evils'
- Outcome broadly as sought by CoalImp

# August – IEA confirms growth in world coal…

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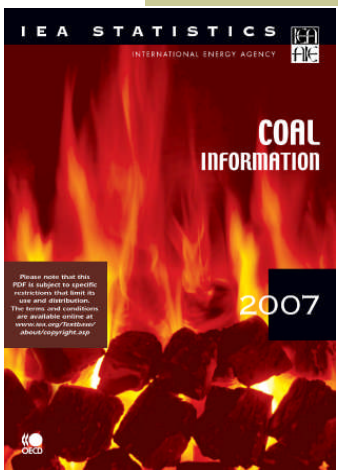
- 2006 world hard coal production up 8.8% to 5.37 billion tonnes
  - China up 14.9% to 2.48 billion tonnes
- Trade up 22 Mt to 815 Mt
- UK the world's fourth largest importer (51 Mt) after Japan (178 Mt), Korea (80 Mt) and Chinese Taipei (63 Mt)






# … and the UK spills it on the railway

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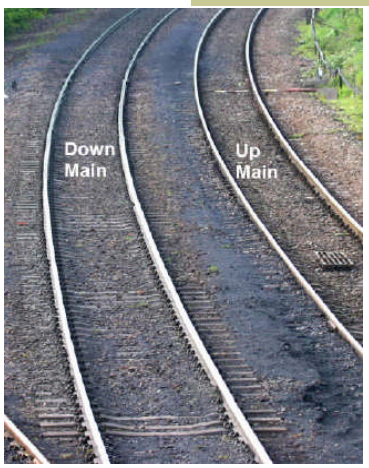
- Network Rail consults on coal spillage charges
- Currently £5m/year
- Seeking increase to £7m/year
- May involve rebates to reward improvements



## September – Coal Forum Overview Report released

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- World Coal Reserves
  - Most abundant fossil fuel
  - Over 900 bn tonnes - more than 160 years*
  - *"Supply of coal can be regarded as secure"*
- Significant coal imports are expected to continue

* NB WEC Revision



## October – WEC publishes energy reserves update

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- *"While questions regarding the size and location of reserves of oil and gas abound, coal remains abundant – and broadly distributed around the world"*
- Available in more than 70 countries and in each major world region
- Global proved recoverable coal reserves 847.5 billion tonnes (end 2005)
  - 143 years supply at current rate of consumption
  - 6.8% lower than total reported at end-2002
  - *"More of a refinement than a revision"*
- *"It is clear that coal will be with us for many decades if not centuries, to come"*

## …more consultations are due…

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- Role of nuclear power
  - All near-zero sources should have equal weight in Government thinking
  - CCS has greater worldwide applicability
    - Policies should be structured also to bring forward clean coal and CCS
    - Using a wide range of technologies
  - Campaign to increase awareness
    - Equivalent resource to nuclear etc
- Carbon Reduction Commitment



## …and details of the CCS competition finally emerge

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- Objectives
  - Deliver successful demonstration of full chain of CCS at commercial scale
  - Technology that is relevant & transferable to key global markets
- Post combustion capture <u>on coal</u>
  - 300-400 MW
  - Rules out IGCC & gas projects
  - Prequalification March 2008 – preferred bidder May/June 2009
- Coal Forum resumes – Minister accuses us of being 'a gloomy lot'

# November – Queen's Speech

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- Climate Change Bill – Energy Bill
- And the prime minister launches the CCS competition…

*"I also believe that carbon capture and storage will be a vital new technology in reducing carbon emissions around the world…..*

*"I can announce today that we are launching a competition to build in Britain one of the world's first commercial CCS coal projects, demonstrating the full chain of CO2 capture, transport and storage.*

*"We will also consider whether, if we can show that carbon capture and storage is technologically and commercially viable, it should be made mandatory in some form for all new British fossil fuel plants."*



# December – Bali – and Kingsnorth under fire

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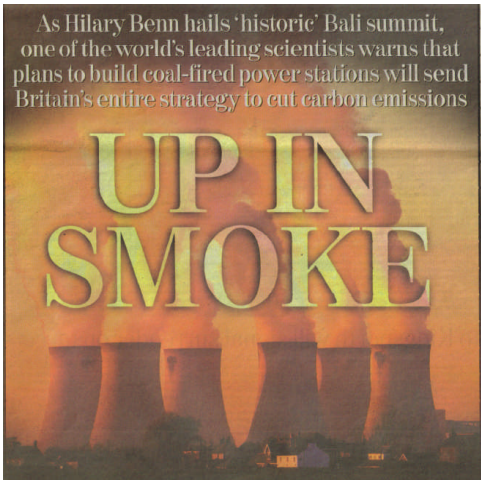

# January – EU Package – 20 20 by 2020

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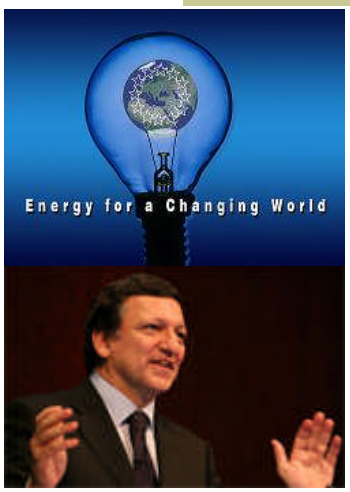
- Strong EU support for clean coal with CCS
- Good progress on regulatory framework
- But no mechanisms to make it happen
  - 20% energy from renewables forecloses the market
  - EUETS signals not sufficient to stimulate early investment






# February – Greenpeace invades Coal UK

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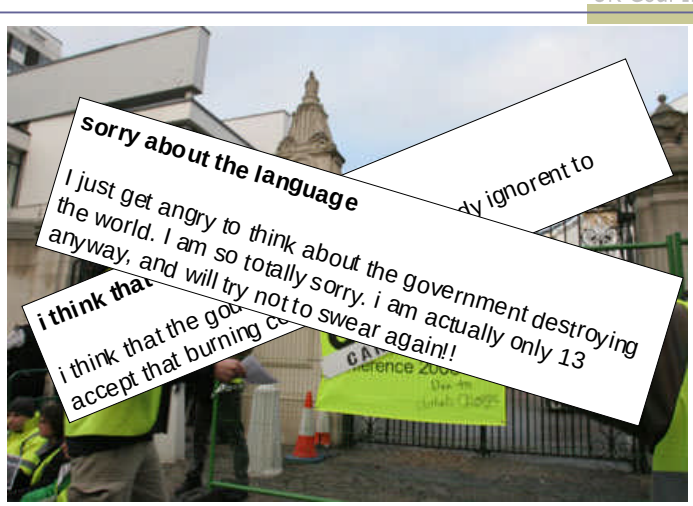

# March – continuing work…

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- Coal spillage
  - Problem should be capable of resolution
  - Look for 'quick wins'
  - Platform to persuade Network Rail/ORR to phase out the charge

- Corporate social responsibility
  - Differing levels of CSR in international supply
  - Implications in coal procurement
  - CoalImp members as change agents



# … and how to inform the public debate?

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"All I'm saying is **NOW** is the time to develop the technology to deflect an asteroid"