



Local Air Quality Team
Department for Environment, Food & Rural Affairs
Seacole Building
2 Marsham Street
London SW1P 4DF

12th October 2018

Dear Sirs,

Consultation on cleaner domestic burning of solid fuels and wood

I am pleased to respond to the above consultation on behalf of CoalImp – the Association of UK Coal Importers and Producers. CoalImp represents UK coal producers, major coal users, transport companies, ports and other infrastructure operators. The ten members (listed on the CoalImp website¹) account for around 95% of UK coal production (including housecoal production) and the handling, transportation and use of UK coal imports.

This letter sets out CoalImp's strong opposition to the proposed ban on the use of housecoal, which we believe would have a minimal effect in smoke control areas, whilst severely and disproportionately impacting consumers in rural areas, especially those already experiencing fuel poverty. I have also responded to the online questionnaire (answers attached) but, as many of the questions relating to housecoal appear to be predicated on an assumed coal ban, it is not possible to provide a meaningful response via this platform.

Of particular concern is the extent to which wrong base data, together with fundamentally flawed assumptions and analysis, underpins Government's proposals, which take no account of submissions to the earlier *Call for Evidence* based on a wealth of experience amongst coal producers, coal merchants and others, many of whom have spent a lifetime in the domestic coal trade.

I would welcome the opportunity to meet with relevant officials to discuss further the matters raised in our response.

Yours faithfully

Nigel Yaxley
Managing Director

¹ <http://www.coalimp.org.uk/5.html>

Introduction

1. CoalImp strongly opposes the proposed ban on the use of housecoal, which would have a minimal effect in smoke control areas, whilst severely and disproportionately impacting rural consumers, especially those already experiencing fuel poverty. CoalImp believes that, due to the minimal impact housecoal has on emissions, banning coal in isolation to achieve the stated air quality objectives would be ineffective when the Clean Air Act already exists for areas with emissions issues.
2. The figures relating to particulate emissions (PM_{2.5}) from the burning of domestic solid fuel (as set out in the impact assessment accompanying the consultation), clearly illustrate that the growing wood market is the major problem, accounting for around 34% out of a total of 39% of such emissions from this sector². By contrast, CoalImp members estimate that emissions of PM_{2.5} from the burning of housecoal account for less than 2%, when pro-rated to the correct figures for market size.
3. Housecoal is burnt primarily in rural areas of low population density, off the gas grid, and provides a relatively cheap home heating alternative to oil and bottled gas. Most housecoal consumers have been using the product for many years and are experienced in the best burning practices associated with the use of solid fuel.
4. In contrast, many of the new wood burning customers live in urban areas of high population density, where pollution from other sources is higher, and have little, or no, knowledge of best burning practices and/or existing smoke control legislation.
5. Given the wholly disproportionate nature of a ban on housecoal in relation to any possible air quality benefits, CoalImp calls on Government to look again at the evidence, and at the potential impact on housecoal consumers in rural areas, and to reconsider its proposals.

Flawed Base Data, Assumptions and Analysis

Housecoal Market Size

6. CoalImp's February submission to the earlier Call for Evidence³ notes that leading industry players (amongst our membership) estimate the current UK market for housecoal at less than 200 kt per annum. They estimate a figure of around 130kt for England in isolation and indicate that sales continue to reduce year on year.
7. Leading suppliers of housecoal to this market are best placed to provide this information, and believe the figures submitted in February to be an accurate assessment. Indeed, at a coal trade meeting with the Department for Environment, Food and Rural Affairs (Defra) on the 17th

² Impact Assessment – footnote on page 7

³ Call for evidence on domestic burning of house coal, smokeless coal, manufactured solid fuel and wet wood

April this year, all representatives present concurred with this view of the market but, crucially, with the exception of the largest smokeless fuel manufacturer. It is particularly disappointing, therefore, to note the following comments, included in the Impact Assessment⁴:

"The estimated baseline for coal burned is based on outturn data of domestic coal consumed under DUKES. The outturn data is scaled for England. DUKES estimates the domestic use of coal based on reported deliveries to merchants. The data reveals domestic consumption of coal in England declined by 10% between 2005 and 2016 falling from, 485,133 tonnes to 434,208 tonnes over the period. These estimates include coal which is supplied free of charge through the National Concessionary Fuel Scheme estimated at 35,000 tonnes 2016."

8. This is wrong, and whilst it is beyond the scope of this response to postulate why this should be the case, it is an indication of the lack of reliable data in the sector, which has historically been affected by the need to estimate the split of imported supplies between housecoal and other markets. With the housecoal market (even based on the DUKES⁵ figures) being less than 3% of the total UK coal market, it is easy to see how a misallocation of figures across market sectors can lead to a major distortion.
9. The general consensus within the coal industry is that housecoal sales in England were approximately one third of the 434k tonnes quoted by DUKES for 2016. The rate of decline in this sector is approximately 10% per annum, not the 10% total decline over the 11-year period stated above.
10. The figure quoted for the Concessionary Fuel Scheme is particularly concerning, as presumably an accurate figure could easily have been obtained from the government department administering this scheme, or from the company who exclusively manage the supply of concessionary fuel. For the record, CoalImp members estimate that supplies of housecoal via the Concessionary Fuel Scheme would be closer to 3,000 tonnes per annum than 35,000 tonnes per annum.
11. It is CoalImp's view that the housecoal sales estimates used for both the overall market in England and the concessionary coal, would have greater credibility if they represented the total volume of solid fuel sold in England, including briquettes and anthracite. However, the suggestion that they represent a conservative estimate of the size of the coal market calls into question the credibility of the work carried out in this area to date.

⁴ Impact Assessment, page 14

⁵ Digest of UK Energy Statistics

Cost Comparisons

12. The Impact Assessment estimates the cost to households of fuel switching, both from wet to dry wood and from coal to smokeless fuel, of £423m⁶. Whilst the assumed cost differential of dry and wet wood is stated, there is no reference to the assumed price difference between coal and low sulphur smokeless fuel. This is an important omission as it helps mask the real cost increase being imposed on low income users, if Defra's preferred option of phasing out the use of housecoal is adopted.
13. CoalImp's submission to the Call for Evidence stated that a current list price for popular branded, low sulphur briquettes is approximately three times that of housecoal doubles, and evidence suggests that the improvement in efficiency when burning smokeless fuel (compared to coal) on an open fire is significantly less than this. CoalImp estimates an increase of around £1,000 per year for a typical housecoal user forced to convert to manufactured smokeless fuel⁷.
14. This price disparity could widen still further if cheaper, higher sulphur, briquettes are removed from the market, resulting in a further significant price increase for existing coal burning customers. Given that many users live in relatively low-wage rural areas, this could lead to a significant rise in fuel poverty. CoalImp is unclear what cost price differential between coal and low sulphur smokeless fuel has been used in Defra calculations.

Emissions

15. The flawed analysis is also highlighted at Table 2 in the Impact Assessment⁸, where the emissions of PM_{2.5} from the various solid fuels are compared, expressed in grams per tonne of fuel consumed. Whilst a ban is proposed on the use of c 100k tonnes per annum of housecoal (projected market size in England in 2020) with PM_{2.5} emissions of around 9.14 grams per tonne consumed, the document foresees over 2.3 million tonnes of both wet and dry wood being burnt with similar, if not higher, average emissions of PM_{2.5}.
16. This approach is even more surprising given that much of this wood is burnt in urban areas where air quality issues are more problematic. A household would require 1.6 tonnes of seasoned wood to achieve the same heat output as 1.0 tonne of coal. There is a risk of 'unintended consequences', relayed to DEFRA at a meeting on 17th April with coal trade representatives (including some CoalImp members): low income housecoal users in rural areas, faced with a coal ban, are likely to buy lower priced unseasoned wood from local sources, actually resulting in increased emissions of PM_{2.5} in these areas.
17. It should also be noted that most wood drying kilns are fired, at least in part, by relatively wet wood, with a number of highly inefficient kilns,

⁶ Impact Assessment, page 7, Table 1

⁷ Based on the average household burning 4 tonnes of fuel at the current cost differential between housecoal and smokeless as advertised on CPL's coals2u website

⁸ Impact Assessment, page 10

incentivised by the Renewable Heat Incentive, burning only wood. When developing policy, account should be taken of increased particulate emissions from these kilns following any government-backed increase in demand for kiln dried logs.

18. With regard to sulphur emissions, housecoal sold in this country has relatively low sulphur content – around 1% or less, and currently closer, on average, to 0.7%. It should be noted, therefore, that any switch from low sulphur housecoal to 2% sulphur smokeless fuels will offset most, if not all, of the sulphur reductions predicted under the proposals relating to higher sulphur manufactured fuels.

Regulation

19. CoalImp believes that existing smoke control regulations should be more rigorously applied, as the most effective means of reducing pollution in those areas where it has most impact.
20. CoalImp members who produce housecoal have intimate knowledge of the market, and are confident that the burning of housecoal in smoke control areas is extremely rare. By contrast, the burning of wood in urban areas would appear to be a much more significant problem. It would therefore surely be better to improve understanding of the issue in these areas through a public information campaign.
21. The approach to regulation in urban areas, as set out in the consultation, is a little surprising, if not contradictory, and in our view potentially goes against the Government's commitment to the devolution agenda. The approach appears to suggest that Local Authorities are not capable of enforcing existing smoke control legislation in respect of the use of housecoal (page 6); yet they could be involved in the random testing of fuels and the enforcement of a new smokeless fuel certification scheme (page 14, para 23).
22. Housecoal is mainly sold via long established 'Approved Coal Merchants', experienced in the various solid fuel products available, their suitability for different appliances, and existing smoke control legislation/smokeless zones within their trading area. They are therefore well placed to offer advice to consumers and help to ensure compliance with existing smoke control legislation. The *Approved Coal Merchants Scheme*⁹, and the *Coal Trade Code* are structures designed to protect consumers, and ensure that solid fuel is burnt efficiently and within the law.
23. Whilst CoalImp does not support any restriction on the sale of housecoal, beyond the statutory measures that currently exist, there may be some merit in selling only via Approved Coal Merchants. CoalImp's members would, however, need to study any proposals in more detail before making any further, detailed, comments on this issue.

⁹ <http://www.coalmerchantsfederation.co.uk/coal-merchants/why-use-approved-coal-merchants>

Manufactured Solid Fuels

24. Whilst most of this response has related to the possible phasing out of housecoal, some members also have interests in the production and sale of manufactured smokeless fuels, and therefore CoalImP would also like to respond on two points regarding this sector.
25. CoalImP would be opposed to any proposal to reduce the maximum sulphur content of these fuels to 1% as we believe this would result in further significant cost increases and would impose considerable hardship on solid fuel consumers, particularly those off gas grid.
26. CoalImP cannot support any proposal to impose a mandatory minimum proportion of biomass content in manufactured smokeless fuels. Biomass feedstocks require treatment via a technology known as torrefaction before being incorporated into a manufactured solid fuel. This technology is energy intensive and increases CO2 emissions.
27. Given the energy intensive nature of the manufacturing process involved, the carbon reduction credentials of any such proposal should be subject to more rigorous examination.

Steam Trains

28. Whilst the proposals do not include any specific reference to the use of coal on steam trains, it is worth highlighting that any phase out of housecoal for domestic use will also have a significant impact on this sector, which uses coal of the same type. Suitable coal would have to be purchased from international sources at much higher prices, threatening the viability of these popular rural businesses (e.g. the North York Moors Historical Railway Trust), and the many associated tourist-related jobs.

Impacts on the Industry and Competition in the Market

29. UK coal producers have already recognised the 2025 phase-out of unabated coal generation by refocusing their businesses towards other markets which will continue beyond that date. These include the steel industry, cement production and other industrial users, as well as the housecoal market which is the subject of this consultation. This involves competing with imported supplies to ensure the market share of indigenous products is maximised, supporting UK jobs as well as reducing carbon emissions involved in transporting coal across the world.
30. Coal qualities are not readily transferable between markets (dependent on size, ash content and other characteristics); consequently this is not a straightforward process, and has involved changes to mining methods and investment in new coal preparation facilities.
31. Any move to prevent the sale of housecoal would, in these new and more difficult market circumstances, certainly damage the business of the UK's

remaining coal producers, with a corresponding loss of jobs, both directly, and within the local area.

32. A number of the proposals have clear implications for competition in the market, which is of great concern to CoalImp members and their customers. Any ban on housecoal would reduce the number of potential suppliers to the market because one third of the market supply would be eliminated. A sudden increase in demand for manufactured solid fuels following such a ban would favour the market-dominant producer.
33. As well as the impact of a housecoal ban on UK coal producers, in response to the earlier Call for Evidence '*small coal merchants said they were most likely to go out of business and would need time to adjust*' (page 11). Many of these merchants offer a very personalised service to the rural customers, and the demise of these local merchants would inevitably result in an increased market share for the larger distributors.
34. The largest distributor in England is also the dominant producer of manufactured smokeless fuel, with a clear commercial interest in seeing the Defra proposals come to fruition. This is also the only company currently capable of producing manufactured smokeless fuels with biomass content, and claiming to hold the UK patent for the necessary torrefaction technology.

Summary

35. CoalImp strongly opposes the proposed ban on the use of housecoal, which would have a minimal effect in smoke control areas, whilst severely and disproportionately impacting rural consumers, especially those already experiencing fuel poverty.
36. Of particular concern is the extent to which wrong base data, together with fundamentally flawed assumptions and analysis, underpins Government's proposals.
37. The figures relating to particulate emissions ($PM_{2.5}$) from the burning of domestic solid fuel clearly illustrate that the growing wood market is the major problem, accounting for around 34% out of a total of 39% of such emissions from this sector. By contrast, CoalImp members estimate that emissions of $PM_{2.5}$ from the burning of housecoal account for less than 2%, when pro-rated to the correct figures for market size.
38. CoalImp estimates an increase of around £1,000 per year for a typical housecoal user forced to convert to manufactured smokeless fuel. Given that many users live in relatively low-wage rural areas, this could lead to a significant rise in fuel poverty.
39. CoalImp believes that existing smoke control regulations should be more rigorously applied, as the most effective means of reducing pollution in those areas where it has most impact. CoalImp members who produce housecoal have intimate knowledge of the market, and are confident that the burning of housecoal in smoke control areas is extremely rare.

40. Any move to prevent the sale of housecoal would, in the new and more difficult market circumstances associated with the 2025 phase-out of unabated coal generation, certainly damage the business of the UK's remaining coal producers, with a corresponding loss of jobs, both directly, and within the local area.
41. A number of the proposals have clear implications for competition in the market. Any ban on housecoal would reduce the number of potential suppliers to the market because one third of the market supply would be eliminated. A sudden increase in demand for manufactured solid fuels following such a ban would favour the market-dominant producer.
42. Given the wholly disproportionate nature of a ban on housecoal in relation to any possible air quality benefits, CoalImpP calls on Government to look again at the evidence, and at the potential impact on housecoal consumers in rural areas, and to reconsider its proposals.

Answers to Online Questionnaire

Section 3 - Coal

14. Do you agree or disagree that Government should phase out the use of traditional house coal for domestic combustion?

Disagree

15. If you agree, what would be the most appropriate end date for phasing out the use of traditional house coal for domestic combustion?

Not applicable

Please provide reasons or evidence to support your answer

CoalImp does not support any proposal to phase out the use of housecoal; this would be proportionately inconsistent with measures proposed for other solid fuels, most notably wood, and would contribute little, if anything, to overall air quality objectives. It would almost certainly increase heating costs to vulnerable members of society living in low income rural areas and could result in higher emissions of pm2.5 if increased volumes of wet wood were to be used instead of coal in these areas.

16. In phasing out the use of traditional house coal as a domestic fuel, what do you consider is a reasonable transition period to allow industry and householders to use up existing stocks?

Not applicable

The housecoal market in the UK is in long term decline, with sales reducing by between 10 -15% per annum. The burning of housecoal currently contributes only a tiny proportion of the emissions of particulate matter that Government is attempting to address, and this figure will reduce even further due to the natural decline in the market. CoalImp does not therefore believe that any mandatory phase out period, is required.

17. In phasing out the use of house coal as a domestic fuel, Government is minded to apply this to all businesses because of the health and environmental benefits of this approach. We acknowledge this may be harder for some businesses than others. Do you agree or disagree that this policy should apply to all businesses?

Neither agree nor disagree

CoalImp does not support any phase out of the use of housecoal – see above comments

18. *If you disagree, which of the following should apply? Please select all that you think should be exempt.*

Coal to only be sold through authorised coal merchants

Please provide details of which businesses should be exempt and your reasoning.

While CoalImp does not support any restriction on the sale of housecoal, beyond the statutory measures that currently exist, there may be some merit in selling only via Approved Coal Merchants. CoalImp's members would, however, need to study any proposals in more detail before making any further, detailed, comments on this issue.

19. *In phasing out traditional house coal as a domestic fuel, government is minded to apply the phase-out nationwide across England. Do you agree or disagree?*

Disagree

If you disagree, which of the following should apply?

Coal sales to be phased out in urban areas only

20. *Would you like to provide any further comments or evidence on our proposals or the questions in this section?*

CoalImp has also provided a more detailed response to the Local Air Quality Team at the address provided.

Section 4 – Manufactured Solid Fuels

21. *Do you agree or disagree that government should introduce a standard for all manufactured solid fuels which confirms they are below 2% sulphur and meet a smoke emission limit of 5g /hr?*

Disagree

CoalImp is concerned about the price increase that will be imposed on solid fuel consumers, many located in rural areas, off gas grid, following the implementation of such measures. The price differential between sub 2% sulphur pet-coke and pet-coke with a sulphur level of 3/4% is currently \$100 - \$130/t, a differential that will inevitably increase due to much higher demand following the implementation of the above proposals.

22. *In introducing a sulphur and smoke emission standard, do you consider that there should be a transition period for suppliers and retailers?*

Transition period of more than 1 year

Please provide reasons or evidence to support your answer

Producers/distributors would require more than 12 months to use up all existing stocks of +2% sulphur products/feed stock and transition, in an orderly manner, to any alternatives. Additionally, producers should be given the maximum possible time to source alternative feed products at the best possible price, helping to keep the inevitable price increase to consumers as low as possible.

23. Do you agree or disagree that, over time, the 2% sulphur limit should be further reduced to 1% sulphur?

Disagree

CoalImp would be opposed to any proposal to reduce the maximum sulphur content of these fuels to 1% believing that this would result in further significant cost increases and would impose considerable hardship on solid fuel consumers, particularly those off gas grid.

If you agree, over what time period should the further reduction be introduced?

Not applicable

24. Do you agree or disagree that government should introduce a clear labelling requirement to demonstrate that fuels meet the standard?

Disagree

The existing (authorised fuels) scheme, whereby fuels are "authorised for use in smoke control areas" could easily be modified for any new parameters deemed appropriate. There appears to be a contradictory approach to Local Authority involvement in that Defra does not believe that LA's are capable of enforcing existing smoke control legislation in respect of the use of housecoal, but they could be involved in the random testing/enforcement of a smokeless fuel certification scheme.

25. In order to comply with the proposal to phase out traditional house coal and apply sulphur and smoke emissions standards to all solid fuels, what adjustment, if any, would your business need to make?

Couldn't adjust

Removal of house coal from the product range from UK coal producers would have serious impact on the viability of current and future sites and this would have a negative impact on producers being able to transition into new markets and continue to be able to deliver into the industrial sector. Any phase out of the use of housecoal would almost certainly lead to loss of jobs, both directly, and within the local area.

Section 5 – Carbon reductions

27. Do you agree or disagree that government should, over the longer term, introduce a requirement that all manufactured solid fuels have a minimum biomass content?

Disagree – no minimum limit

CoalImp cannot support any proposal to impose a mandatory minimum proportion of biomass content in manufactured smokeless fuels. Biomass feedstocks require treatment via a technology known as torrefaction before being incorporated into a manufactured solid fuel. This technology is energy intensive and increases CO₂ emissions. Furthermore, only one company is currently capable of producing such a product in the UK, also the market dominant producer of manufactured smokeless fuel, which also claims to hold the UK patent for the torrefaction technology. Given the energy intensive nature of the manufacturing process involved, the carbon reduction credentials of any such proposal should also be subject to more rigorous examination.

28. For businesses: If government mandated a biomass content how long would it take you to adjust?

Not applicable

See above comments – CoalImp cannot support such proposals due primarily to the potential impact on competition, and price to the consumer, but also because CoalImp does not believe that the carbon reduction credentials have been properly evaluated at this stage.