

8th February 2017

CoalImp responds to the 'coal closure consultation'

CoalImp (the Association of UK Coal Importers and Producers) has today responded to the Government's proposals to put into effect an end to unabated coal generation by 2025: *Coal Generation in Great Britain - The pathway to a low-carbon future*.

Following a period of high coal demand earlier this decade, the coal market has seen a major reduction over the last year or so, as a direct result of Government policies. The UK's unilateral Carbon Price Floor (or 'carbon tax') has caused the closure of coal-fired power stations, and very low levels of summer running at those that remain. Evidence shows, however, that these remaining plants are proving all the more essential to meet winter demand.

In the consultation document it is stated that "*Government wants to see an orderly transition away from unabated coal generation*". CoalImp is strongly supportive of the concept of an orderly transition, but is unconvinced that Government's aspirations for this are met in its proposals.

CoalImp believes that regulating to close unabated coal stations is relatively straightforward. But overcoming the complex web of regulatory, financing and practical hurdles to bring forward new plant to replace it is far more challenging. Building a new generation of gas stations cannot be viewed in isolation. It has to be considered alongside other infrastructure developments – including HS2, Heathrow, Hinkley, as well as housebuilding. This is all at a time when the UK may seem a less attractive place for investment. Businesses may struggle to find the skills and materials needed, and finance for all major new projects is likely to carry an additional risk premium post Brexit.

The leading industry voice insists that in light of recent developments, including capacity auction results, Government should review both its central and 'high coal' scenarios, on which the consultation is based. Both now appear unlikely. CoalImp argues that the reality, and indeed the optimum scenario, should lie somewhere in between; i.e. coal stations continue, albeit at lower load factors, as part of the transition, to contribute to security of supply until approaching the final end date chosen by Government, in light of realistic expectations about the build rate for new plant.

Furthermore, coal is an essential feedstock for the steel and cement industries, and remains a competitive fuel for industrial, commercial and domestic consumers, especially in areas which are not gas-connected. The impact on these other markets is completely ignored by the consultation. UK-produced coal makes these industries more competitive. Both customers and UK suppliers,

in steel and other sectors, need time to adapt to the impacts of power station closures on coal supply and infrastructure.

Managing Director of CoalImp, Nigel Yaxley said: " It is clear that a combination of the UK's carbon tax, with the requirements of the EU Industrial Emissions Directive, already makes significant burn levels at most coal plant into the 2020's very unlikely. The two closure options proposed in the consultation already constitute 'belt and braces' to cater for the unlikely event of a 'high coal' scenario. Nothing further is required."

Mr Yaxley continued: "As part of the Industrial Strategy, a holistic approach is needed – not simply a mechanism to destroy an entire industry, whilst stepping back and leaving the vagaries of the energy market to pick up the pieces.

"The fact that coal is a high carbon energy source should not colour perceptions of the commitment and skills of those who work in the sector.

"The coal phase-out will entail the loss of jobs across the coal supply chain, affecting coal producers, railways, ports, power stations and supporting industries. As part of the Industrial Strategy, policies should be pursued which mitigate the impact of a coal phase-out on those businesses and geographical areas most affected. Ways should be explored to assist the people and associated skills involved in the coal supply chain to play a part in delivering and operating the new capacity required to replace coal."

Ends

For Additional Information

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Notes for Editors

CoalImp represents UK coal producers, major coal users, rail companies, ports and other service providers in the UK coal supply chain.

The twelve members account for the handling, transportation and use of the majority of UK coal production and imports.

Government has consulted on proposals to put into effect an end to unabated coal generation by 2025 at <https://www.gov.uk/government/consultations/coal-generation-in-great-britain-the-pathway-to-a-low-carbon-future>

The full CoalImp response to this consultation is available from the CoalImp website at <http://www.coalimp.org.uk/7.html>.

Membership of CoalImp covers a spectrum of opinions on certain matters, with some members having principal and/or significant interests in sectors other than coal. The consultation response, therefore, represents a majority view, and should not be interpreted as being endorsed by each individual member.