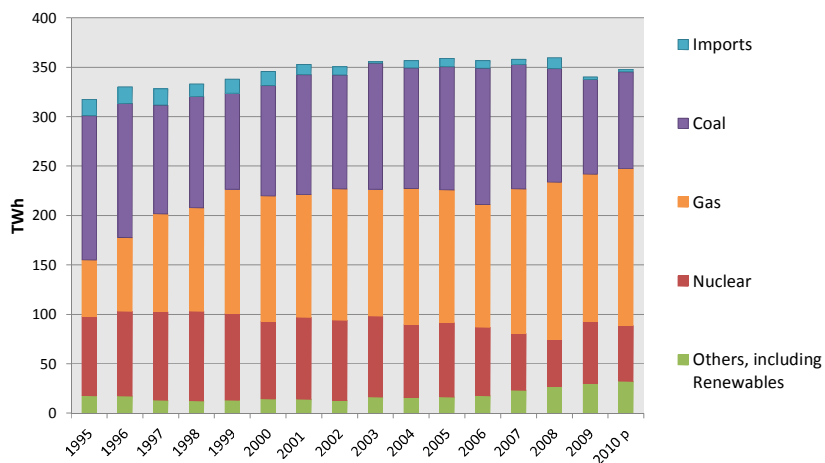


CoalImp – Review of the Year

www.coalimp.org.uk

Nigel Yaxley
Managing Director, CoalImp

Coal burn was up by 5% in 2010...

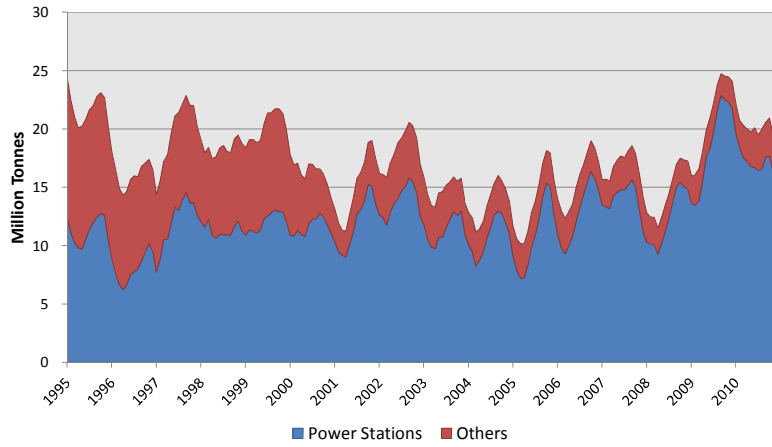


Source – DECC

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...but the stock swing impacted supply by 15Mt

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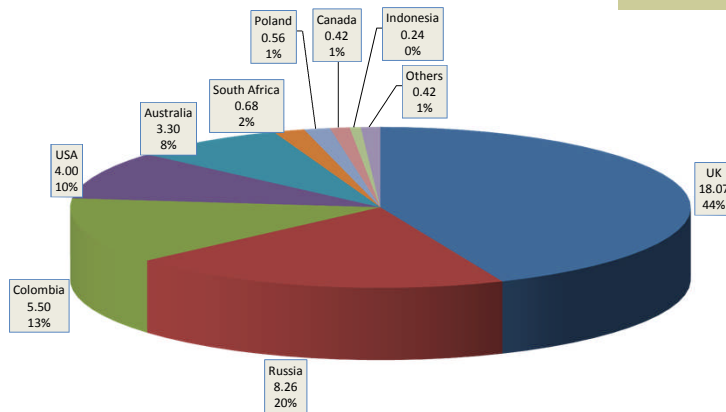
Source – DECC

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Imports fell to 56% of total supply...

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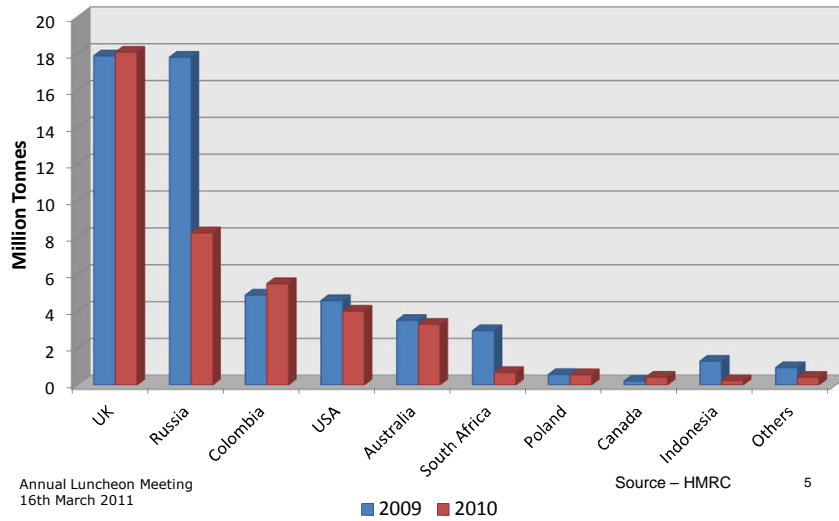


Source – DECC/HMRC

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...with big changes in sourcing



April – Lib Dem manifesto is anti-almost-everything



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Liberal Democrats will...

- Block any new coal-fired power ...unless they are accompanied by the highest level of carbon capture and storage facilities
- Reject a new generation of nuclear power stations; based on the evidence nuclear is a far more expensive way of reducing carbon emissions than promoting energy conservation and renewable energy

May – Election brings in Con Dem Government

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...but where's the coal in coalition?

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- *...an emissions performance standard that will prevent coal-fired power stations being built unless they are equipped with sufficient CCS...*
- *...public sector investment in CCS for four coal stations...*
- *and on nuclear ...Liberal Democrats to maintain their opposition ...Government to bring forward the NPS ...not an issue of confidence ...no public subsidy*

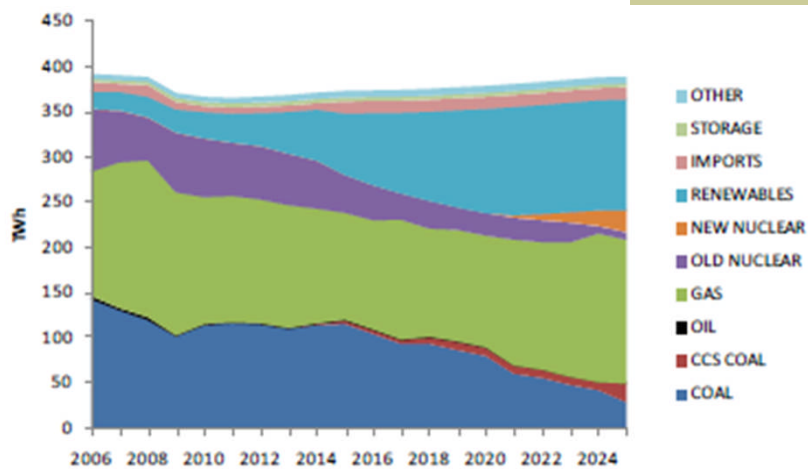
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June –Industrial Emissions Directive agreed at last

- New Emission Limit Values from 2016
- OR Transitional National Plan to end-June 2020
 - Allows more time to phase fitting of selective catalytic reduction (SCR)
- OR Opt out
 - Latest close end-2023 or 17,500 hours
 - Equivalent to 25% rather than 28.5% load factor
 - To be declared by 1 January 2014

... but Government projects halving of coal burn by 2025



Source – DECC

July – UK, France and Germany push for 30%



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- *"We're determined to make the economic case for the EU to cut its emissions by 30% by 2020 as quickly as possible."*
- *"Moving to a low carbon economy can help deliver energy security and contribute to economic recovery."*

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August – IEA reports coal growth through the recession



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- 2009 – world coal production up by 2.1%
 - 54% higher than 1999
 - Hard coal 5,990 Mt (+ 3.4%)
 - Brown coal 913 Mt (- 5.3%)
- China 2,971 Mt hard coal (+ 8.7%)
 - 49.6% of world production
- Global hard coal trade up by 0.3% to 941 Mt

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September – DECC meets Vatican on climate change



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- Pope's message
 - People have moral and spiritual obligation to reduce their impact on the environment
- Vatican to be world's first carbon neutral state
 - Installed solar panels on Vatican buildings
 - Offsets emissions through a Vatican forest
 - Plans to build Europe's largest solar farm

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October – CCS survives Spending Review

- Up to £1 billion of investment to create one of the world's first commercial-scale CCS demonstration plants confirmed
- Government remains committed to providing public funding for four CCS demonstration plants
- Also RHI levy abandoned
- But CRC scheme becomes another tax

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November – Euracoal has 'Coal Days' in Brussels...



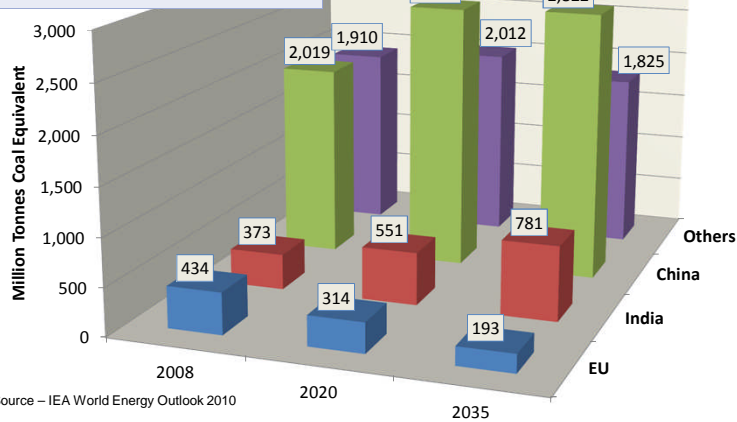
- European Parliament ITRE Hearing
- Major display in centre of EU Parliament
- Opening by Energy Commissioner
- Dinner and breakfast events

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... but IEA foresees major demand reduction in Europe

World Coal Demand Outlook
in New Policies Scenario



Source – IEA World Energy Outlook 2010

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December – New policies emerge...

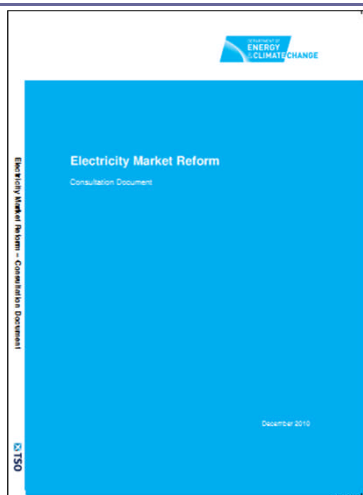


- Carbon Price Floor
 - Tops up EUETS via Climate Change Levy
 - Targets CO2 price of £70/tonne by 2030
 - Starts 2013 – to reach £20-£40 in 2020

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...with 'mixed bag' in Electricity Market Reform



- Feed-in tariffs for low carbon generation
 - CfDs with wholesale electricity prices
- Emissions performance standard to prevent unabated coal but allow unabated gas
 - 'Grandfathered' at construction date
- Capacity payments for back-up generation

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January – Floods in Australia – quiet elsewhere

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February – Charles Hendry is enthusiastic about CCS

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- Fossil-fired electricity has reliability, availability and affordability
- CCS a crucial element of Government's agenda
- UK Government committed more than any other country to a single project
- Commitment to continue public sector investment in a further 3 demonstration projects
- UK has 9 'NER 300' applications

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... and EU Council talks security of supply



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- "Safe, secure, sustainable and affordable energy contributing to European competitiveness remains a priority for Europe"
- "In order to further enhance its security of supply, Europe's potential for sustainable extraction and use of conventional and unconventional (shale gas and oil shale) fossil fuel resources should be assessed"

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March – EU publishes 2050 roadmap...

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- No new emission reduction target for 2020
 - The 20-20-20 target stands.
- CO₂ emission reduction targets adopted
 - 2030 (-40%)
 - 2040 (-60%)
 - 2050 (-80%)
 - to be achieved by internal measures (*i.e.* without international offset credits)
- Power sector to deliver substantial CO₂ savings
 - ETS being a critical driver of change
 - Commission may deploy other tools
 - Energy taxation and/or technological support

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... but energy security is
back on the agenda

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■ What next



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Thank You

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