

## Russian Coal into the UK Market

[www.coalimp.org.uk](http://www.coalimp.org.uk)

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## Russian Coal into the UK Market

Understanding UK coal importers' requirements in a dynamic global coal market

Import trends and the role of Russia in supplying UK coal needs

Quality and emissions concerns

Corporate social responsibility

## CoalImp Members

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Association of  
UK Coal Importers

ABP	British Energy	Clydeport	Drax Power	DB Schenker
EDF Energy	E.ON UK	Fastline Freight	Fergussons	First GBRf
Forth Ports	Freightliner	Hargreaves	International Power	Network Rail
Oxbow Coal	Port of Tyne	Rio Tinto Alcan	Rudrums	RWE Trading
	Scottish Power	SSE Energy Supply	Welsh Power	

Coaltrans Moscow  
30th March 2009

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## Understanding UK coal importers' requirements in a dynamic global coal market

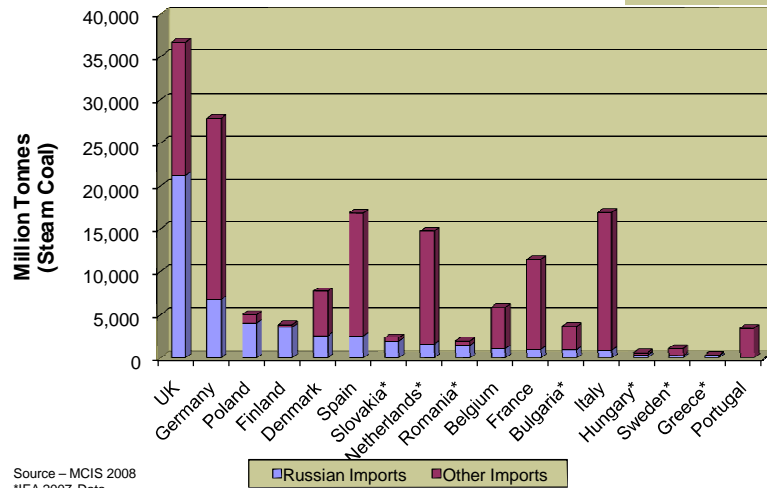
- Import trends and the role of Russia in supplying UK coal needs
- Quality and emissions concerns
- Corporate social responsibility

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## UK dominates European imports from Russia

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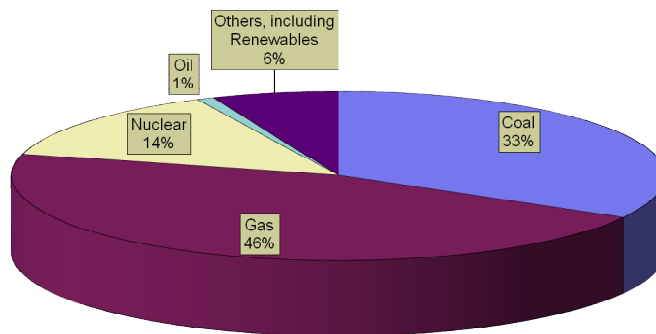


Source – MCIS 2008  
\*IEA 2007 Data  
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## UK has a diverse generation mix...

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Source – UK Government Statistics

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## ...with a complex set of drivers for coal demand...

### Commercial

- Coal price
- Carbon price

### Practical

- Available capacity
- Plant closures/new build

### Regulatory

- SO<sub>x</sub> and NO<sub>x</sub> 'bubbles'
- Renewables regulation

## ...influencing UK coal importers' requirements

### Price

- 'Buyers Market' has returned

### Quality

- SO<sub>x</sub>, NO<sub>x</sub>, handling etc

### Security of supply

- Reliability, no political interference

### Flexibility

- Timing, shipment options

### Corporate social responsibility standards

## Security of supply is crucial for coal's future

- How does the UK reconcile dependency on Russian coal with concerns about over-dependency on gas?
  - Coal supply is fundamentally more flexible
    - Not dependent on pipelines
  - More diverse supplier base
- Suppliers must inspire confidence by demonstrating reliability and respect for contracts

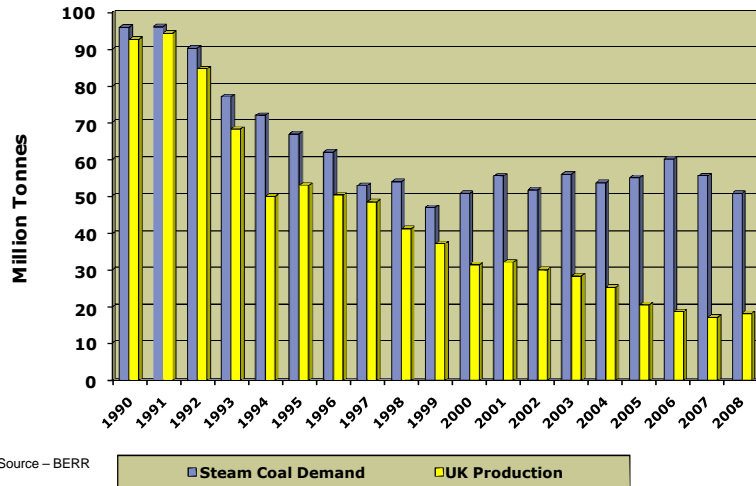
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# UK coal demand has fallen back in recent years

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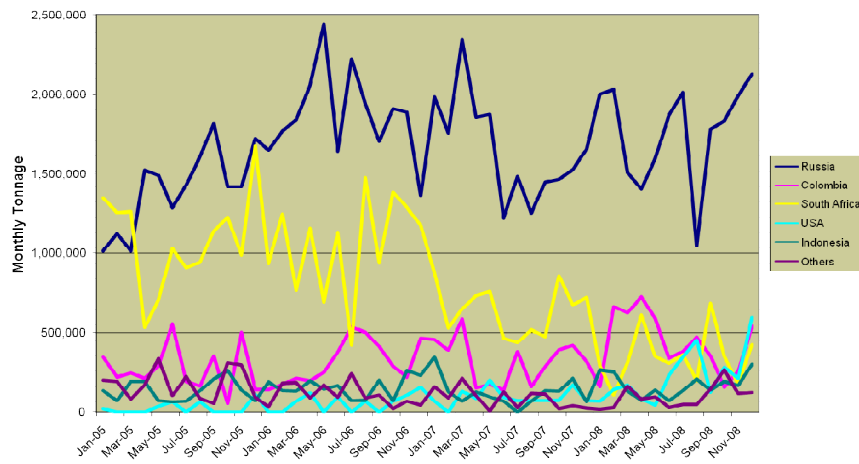
Source – BERR

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# Russia still dominates UK import supplies

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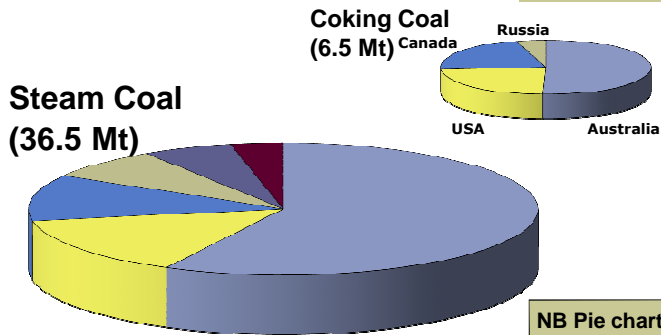


Source – MCIS

Coaltrans Moscow  
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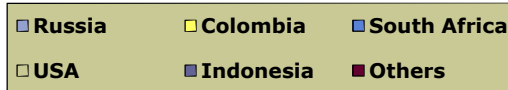
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# In 2008 the Russian share of imports increased to 50%



\* Source - MCIS

NB Pie charts to scale by area



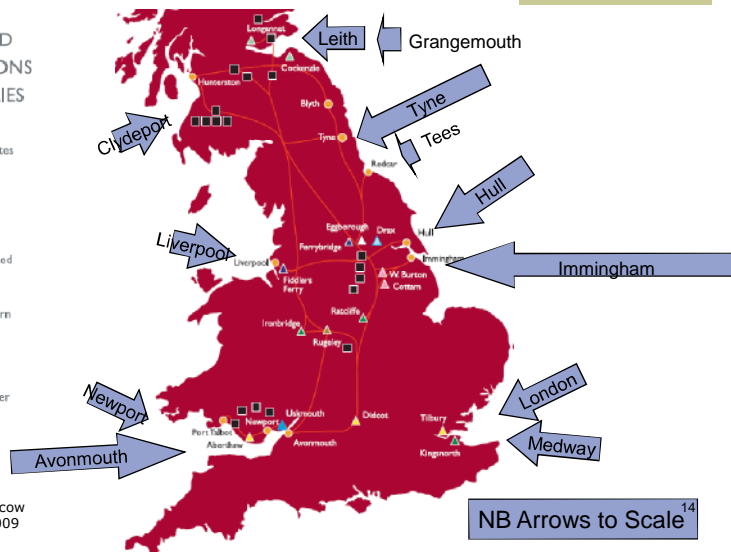
Source - BERR  
Coaltrans Moscow 30th March 2009

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# Ports all around the UK received Russian shipments

## UK COAL FIRED POWER STATIONS & COAL SUPPLIES

- Ports
- Mines/opencast sites
- Power Stations**
- ▲ Scottish Power
- ▲ E.D.F.
- ▲ Drax Power Limited
- ▲ British Energy
- ▲ Scottish & Southern
- ▲ E.ON
- ▲ RWE
- ▲ International Power
- ▲ Carron Energy



Source - HMRC  
Coaltrans Moscow 30th March 2009

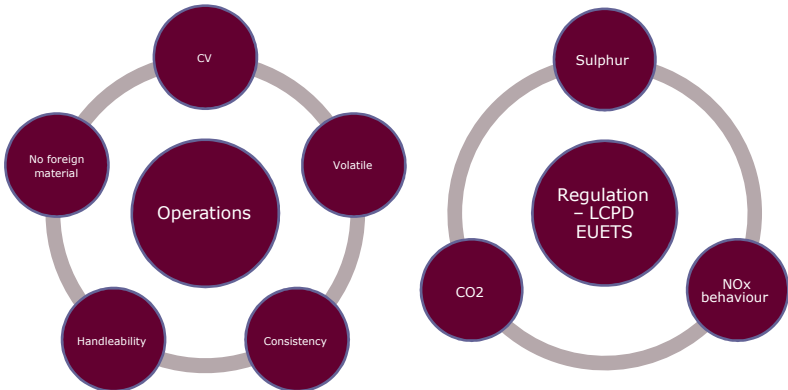
NB Arrows to Scale <sup>14</sup>

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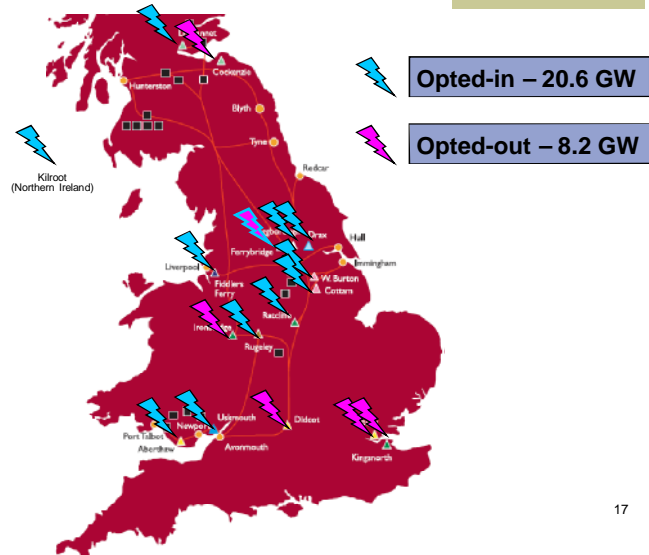
### Quality and emissions concerns

- Corporate social responsibility

### Coal quality must be right for both operations and regulation



## Over 25% of coal plant is opted out of the LCPD...



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## ...and must close by 2016

Station	Operator	Capacity (GW)
Kingsnorth	E.On-UK	2.0
Tilbury	RWE npower	1.0
Cockenzie	Scottish Power	1.2
Didcot	RWE npower	2.0
Ferrybridge (stack 2)	SSE	1.0
Ironbridge	E.On-UK	1.0
<b>TOTAL</b>		<b>8.2</b>

- 20,000 hours maximum operation from January 2008 means load factor of 28.5% or less
- But several stations have used up more than a quarter of their allowed hours in the first year

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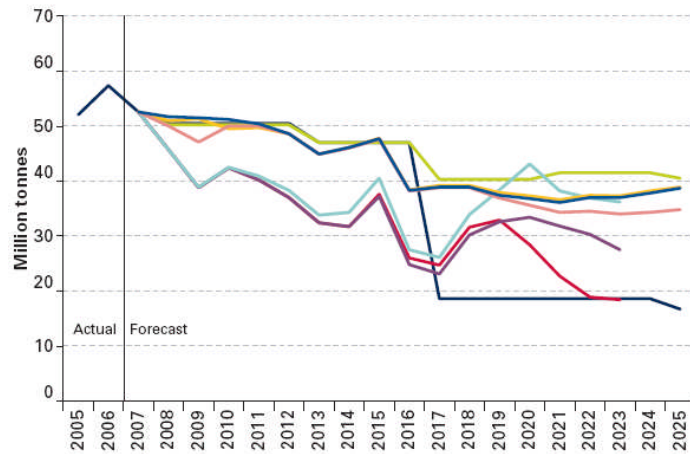
## EU regulation may cause further closures from 2016

- Draft EU Industrial Emissions Directive tightens LCPD requirements
  - Less flexibility for meeting NO<sub>x</sub> limits mean Selective Catalytic Reduction must be fitted for 2016
- Higher carbon prices and more renewables may squeeze coal-fired generation leaving stranded assets
  - New opt-outs or limited hours derogations being considered

## New plant is required

- UK Government supporting 300MW Carbon Capture and Storage (CCS) demonstration project
- Regime for new plant without CCS remains unclear
  - 'Carbon Capture Ready' will be minimum requirement
  - Conservative Party policy includes Emissions Performance Standards for CO<sub>2</sub> which new coal plant without CCS cannot meet
  - Kingsnorth decision still awaited
- Meanwhile no new coal is being built

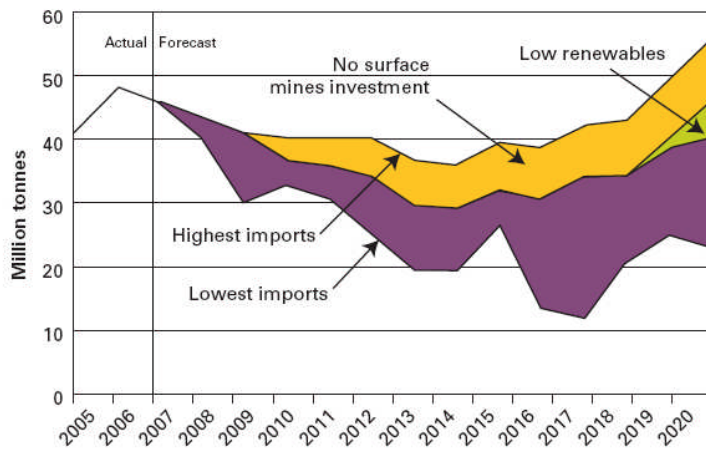
## Scenarios for UK steam coal demand vary widely...



Source – UK DECC  
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## ...giving a wide range of scenarios for UK imports



Source – UK DECC  
Coaltrans Moscow  
30th March 2009

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## What does this mean for coal quality?

- Sulphur content continues to be important for opted out stations
  - SO<sub>2</sub> emissions are directly proportional to sulphur content in coal
  - Tighter limits after 2016 may mean sulphur also becomes important for FGD stations
- NO<sub>x</sub> emissions are more complex
  - No direct correlation with coal quality parameters
  - With SCR – coal quality will be less important
  - Without SCR – low NO<sub>x</sub> coals will be critical post 2016

- Understanding UK coal importers' requirements in a dynamic global coal market
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- Quality and emissions concerns

**Corporate social responsibility**

## CSR – Over-Arching Principles

- UN Global Compact Ten Principles
  - Covers human rights, labour, the environment and anti-corruption
  - Ties in several other UN declarations and conventions



## CoalImp CSR Policy and Guidelines

The Association of UK Coal Importers is committed to working with its members to achieve a high standard of corporate social responsibility (CSR)

Our CSR Guidelines set out standards of performance expected from all those involved in the coal importation supply chain

We seek to exploit opportunities to contribute positively to raising CSR standards and to share best practice

**The Law**

- We require suppliers to comply with all applicable laws in the countries in which they operate

**Human Rights**

- Suppliers must not be complicit in human rights abuses

**Labour**

- Suppliers must not employ underage workers (as defined by applicable local laws) or use forced labour

**Health and Safety**

- We expect our suppliers to provide a safe and healthy working environment for their employees and to provide appropriate training and personal protective equipment

**Environmental Stewardship**

- We expect suppliers to meet all relevant environmental regulations and to minimise the impact of their operations on the local environment

**Business Integrity**

- We expect our suppliers to uphold high standards of business ethics and not to engage in illegal activities such as corruption, bribery, fraud, extortion or money laundering

**Sea Freight**

- Our suppliers must comply with maritime law and relevant international maritime standards

**Continuous Improvement**

- We encourage our suppliers to seek accreditation to appropriate CSR related standards and to adopt a positive approach to continuous improvement

## Will Russian coal remain the dominant player in the UK? What we said in 2007....

- Corporate Social Responsibility
  - Increasing concern over safety, social responsibility, environmental stewardship
  - Accreditation to international standards may be required
- Concerns over security of supply
  - Rail infrastructure
    - Concerns heightened by recent events
  - Political factors
- Buyers may look for greater diversity

## Conclusions

Russian coal has remained dominant in the UK and has increased its share

The UK market is under threat from environmental regulation

In a fight to retain share in a falling market quality and price will remain key

Security of supply is essential for buyers and is crucial to coal's support in the political arena

CSR standards are increasing in importance



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**Thank You**

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