Dear Sirs,

Energy and Climate Change Committee – Deep Mining in the UK

I was grateful to have the opportunity to give oral evidence earlier this week to the Energy and Climate Change Committee during its session on deep coal mining in the UK.

During the session, witnesses were invited to submit any additional information, which may be helpful to the Committee’s deliberations.

I am pleased, therefore, to make this additional submission on behalf of CoalImp, the Association of UK Coal Importers. Please note that this submission is not confidential.

CoalImp represents major coal users (including most of the coal-fired generators in the UK), rail companies, ports and other infrastructure and service providers in the coal supply chain. The twenty two members (listed on the CoalImp website) account for the handling, transportation and use of the majority of imported supplies into the country, in turn representing the majority of all coal supplied to the electricity industry.

I am attaching CoalImp’s new report *Coal – a manifesto for affordable energy*, also available from our website www.coalimp.org.uk. This document provides a comprehensive overview of our thinking on a broad range of policy areas, as well as including information and graphics which the Committee may find helpful. It also touches on a number of areas discussed in the evidence session, which I have highlighted below.

Coal is a secure and affordable resource

1. Coal resources are super-abundant and are spread across all continents. Proven world coal reserves amount to around 1,000 billion tonnes, equivalent to 130 years supply at current rates of usage, with the largest reserves in the USA and China, which are also the largest users.

2. Coal-fired electricity is the most secure and flexible low-cost capacity on the system; and with coal generally less than half the price of gas it is a key element in managing energy bills, fuel poverty and UK energy competitiveness. Even given a short term fall in the price of gas, in the long run, over-dependence on any one commodity increases both financial and geopolitical risk.
3. UK coal resources amount to around 4½ billion tonnes\textsuperscript{ii}, and the UK has good access to imported supplies through well-developed port and rail infrastructure.

4. As indigenous coal production has declined, the UK has increasingly called on the world market to meet its needs. With over a billion tonnes internationally traded each year, and the ability to source widely across continents, imported coal supplies are sufficiently abundant and diverse to provide the security that customers need. The inherent flexibility of a seaborne market and the ability to ship and stock coal safely is an added bonus, compared to supply risks which can be associated with a pipeline-based infrastructure.

**Market uncertainty threatens jobs throughout the coal supply chain**

5. The role of coal generation capacity in the UK is under serious threat from current energy policies, with most coal plants facing potential closure by 2020, without credible plans for alternative, affordable new build capacity to fill the gap.

6. As things stand, the future of existing coal-fired power stations is in jeopardy because the UK’s unilateral Carbon Price Support tax undermines the case for investments to meet the requirements of the IED. But this existing plant provides the most economical and secure transitional power capacity in the UK. With construction of new state-of-the-art high efficiency coal plant being precluded by Government policy, existing plant is also the only bridge to new coal fired capacity with CCS. Early closure will threaten rail and port infrastructure as well as the remaining indigenous production industry, seriously undermining the case for CCS.

**Carbon tax increases electricity bills without reducing CO\textsubscript{2} emissions**

7. Carbon price support increases electricity bills to UK consumers, undermines industrial competitiveness, exports jobs and encourages imports of fossil fuelled power from the continent, but does nothing to reduce CO\textsubscript{2} emissions; these are subject to a pan-EU cap, so our European competitors can simply increase emissions and enjoy lower bills at our expense.

8. Political and industrial commentators increasingly see the carbon price floor as unsustainable, given its effect on electricity bills not seen elsewhere in the world. It also cuts across European and international efforts to develop consistent and co-ordinated emissions trading schemes. For all these reasons, it is clear why it does not even enjoy cross-party support in the UK.

9. The Government should continually review the level of the tax relative to the EU carbon price to ensure that the UK remains competitive on energy prices, and to avoid the premature closure of coal plants which are continuing to keep the lights on. Alongside further action, the Government, where necessary, should look at other methods to protect any investments in low carbon generation which have been made on the basis of this unpopular and ineffective tax.
The capacity market should allow coal to compete on a level playing field

10. The Capacity Mechanism auctions planned for late 2014 provide the means to ensure that security of supply can be maintained, although not until late this decade, when capacity margins are expected already to be critical. Coal plant provides a flexible back up for renewables, with coal stocks the best virtual storage of electricity.

11. Existing coal plant, upgraded to meet the NOₓ and SOₓ emissions limits of the IED, must be a more economic solution to future security needs than building new gas plant simply for back-up. If the costs and deliverability of the capacity mechanism are to be optimised for UK consumer it is essential that coal generation is able to compete on a level playing field.

12. Addressing these two related issues – Carbon Taxes and Capacity Mechanism – will help ensure that coal plant can continue to deliver affordability and security into the next decade, whilst maintaining the skills and experience base to allow the development of CCS.

More CCS projects are needed

13. As recognised by the Committee in its own deliberations on CCS, alongside the directly funded demonstration projects, further CCS projects should be developed under the UK’s Electricity Market Reform, with the ultimate objective of a level playing field with other low carbon technologies, including nuclear and renewables.

14. The UK Government’s stated ambitions for 10GW of CCS by 2030 is welcome but now Government needs to deliver a detailed plan to show how the UK will move from two commercialisation projects to this 2030 target. This includes clarification of available contracts for differences (CfDs), where clusters should be, how the infrastructure will develop, and how quick-win high carbon industries (other than electricity generation) can be encouraged to engage.

15. This would mean that the UK can continue to benefit from the world’s most abundant and low cost fuel at the same time as leading the way to a future where coal is utilised in a clean and fully sustainable manner.

Imported coal buyers are serious about corporate social responsibility

16. Whilst today’s concerns about sustainability largely revolve around climate change issues, responsible coal consumers also ensure the sustainability of their supply chain in terms of corporate social responsibility (CSR). This includes expecting the highest safety standards and practices across mining operations, as well as exemplary human rights, business ethics and environmental stewardship.
17. CoalImp members subscribe to the *CSR Policy and Guidelines*\(^iv\), which sets out high level principles. In addition some of the largest buyers are members of the 'Bettercoal' initiative\(^v\), established by a group of major utilities to promote the continuous improvement of corporate responsibility in the coal supply chain, with a specific focus on the mines themselves. The *Bettercoal Code*\(^vi\) sets out the ethical, social and environmental principles and provisions with which Bettercoal Members expect their coal supply chain to align, and approved independent 3rd-party assessors perform on-site assessments against the code.

18. As a final point, I would like to add that, contrary to the statement of one of the witnesses, information on international sources of coal is readily available from the CoalImp website\(^vii\), in my annual 'Review of the Year’ presentation.

19. I would of course be happy to answer any further queries which members of the Committee may have.

Yours faithfully

Nigel Yaxley
Managing Director

References

\(^1\) [http://www.coalimp.org.uk/5.html](http://www.coalimp.org.uk/5.html)
\(^2\) IEA – Coal Information 2013
\(^3\) Coalpro/Coal Authority
\(^4\) [http://www.coalimp.org.uk/13.html](http://www.coalimp.org.uk/13.html)
\(^5\) [http://bettercoal.org/](http://bettercoal.org/)