

## **Fourth Annual Coal Industry Meeting**

**16.00 – 17.30, 27 January 2014**

**1 Victoria Street Conference Centre, London SW1**

### **Attendees:**

Michael Fallon, Minister of State, DECC

### **Chair:**

Paddy Tipping

### **Industry:**

John Harris, Former Chair

Nigel Yaxley, Association of UK Coal Importers (Coallp)

Barney Pilgrim, Banks Developments Ltd

Pat Carragher, British Association of Colliery Management (BACM)

Luke Warren, Carbon Capture and Storage Association (CCSA)

Simon Cooke, Coal Authority

Simon Reed, Coal Authority

Phil Garner, Confederation of UK Coal Producers (Coalpro)

David Love, Drax Power

Barbara Vest, Energy UK

Alan Bilton, Federation of Independent Mines

John Campbell, Fergusson Coal

Gordon Banham, Hargreaves

John Grogan, Hatfield Colliery

Andrew Minchener, IEA Clean Coal Centre

Chris Kitchen, National Union of Mineworkers

David Jerome, Peel Ports

Tom Allchurch, RecyCoal

Paul Smith, SSE

Philip Pearson, TUC

Andrew Mackintosh, UK Coal Production Ltd

Simon Byway, UK Coal Production Ltd

### **Government:**

Jonathan Holyoak, Office of Carbon Capture and Storage, DECC

Simon Dawes, Office of Carbon Capture and Storage, DECC

John Spurgeon, Office of Carbon Capture and Storage, DECC

Rosie Birchall, Private Secretary to Minister of State, DECC

Richard Vincent, Defra

Nico Heslop, HMT

Ron Loveland, Welsh Government

David Fielder, Office of Carbon Capture and Storage, DECC

## Agenda

Item	Lead
Welcome by Paddy Tipping	Chair
Opening remarks by Michael Fallon MP	Minister of State for Energy
Presentation on CCS programme	Jonathan Holyoak, OCCS
Presentation on IED	Richard Vincent, Defra
Presentation of Coal Forum 2013 discussion paper "A Strategy for Coal in the UK 2013"	Nigel Yaxley
Open discussion of Coal Forum 2013 paper	All
Closing remarks	Chair

### **Welcome and Introductions**

1. The Chair, Paddy Tipping, welcomed all participants to the fourth annual meeting of the Coal Forum. He noted that this was the first meeting since John Harris had stood down as chair of the Coal Forum, having been the chair since it was established in 2006. The Chair recognised the achievements of the Forum in promoting the role of coal in that time and expressed his appreciation to Mr Harris for his leadership.
2. The Chair welcomed Michael Fallon, Minister of State at the Department of Energy and Climate Change, and invited him to address the meeting.

### **Energy Minister Michael Fallon**

3. The Minister welcomed Paddy Tipping to his new position as Chair of the Coal Forum, and thanked John Harris for his commitment to the role as Chair of the Forum since it was established. He noted that his work as Chair had provided a consistent voice for the coal industry through its active engagement with government on issues impacting on the sector.
4. He added that since becoming Energy Minister in March 2013 he had already had the opportunity to meet a number of people in the coal industry and recognised that it played a very important part of the UK's energy mix. He commented on the importance of its role to security of supply during the transition to a low carbon energy mix. The Government was committed to achieving this in a responsible and balanced way.

5. Referring to the good progress being made on the CCS Competition, he said he had been delighted to sign the contract for the White Rose CCS project on coal at Drax Power Station in December 2013 and hoped to be able to sign the contract for the Peterhead gas CCS project shortly once negotiations had been successfully concluded.
6. The Minister stressed the Government's support for CCS projects and wanted to see a successful CCS industry able to compete on cost with other low carbon technologies in the 2020s and deploying up to 13GW by 2030.
7. He commented on the three phases of the Government's vision for CCS. The first phase was the CCS competition, which would prove the technology and reduce risks for subsequent projects. The second phase would concentrate on bringing forward more projects, while a third and final phase would complete the transition to commercial scale CCS in the 2020s. The Government wanted to promote the development of a CCS cluster in the Humber region.
8. The Minister commented on the difficulties facing deep mine operators and noted that at the last annual meeting of the Coal Forum his predecessor as Energy Minister, John Hayes, had undertaken to consider the need for a coal strategy. The Minister said he had read the strategy document submitted by the Coal Forum, but after considering it did not think that a new strategy was needed as the Government's position had already been set out. The future role of coal would be through its use in conjunction with CCS. Combined with CCS, coal could continue to make a significant contribution towards security of supply and affordable electricity supplies in a low carbon future. He felt it was better to work together to help bring about that outcome which was consistent with recommendations made by the Forum.

### **Presentation on CCS Programme**

9. Jonathan Holyoak updated members on progress on the CCS programme. Good progress had recently been made and the CCS competition was on track. In spring 2013 the Government announced that two preferred bidders had been selected. Following extensive negotiations with both bidders, the contract for the production of Front End Engineering and Design (FEED) studies had been signed in December 2013 for the White Rose project, a coal CCS project at Drax Power station in Yorkshire. Negotiations on the contract for the Peterhead project, a gas CCS project at Peterhead power station in Aberdeen, were continuing.
10. Jonathan Holyoak also updated the meeting on the steps being taken to provide support for CCS projects not included in the current competition: working to remove barriers and strengthening the business case for CCS; working on developing how Contracts for

Difference for CCS projects will work under the Electricity Market Reform programme; and working on the actions needed to develop a CCS cluster in the Yorkshire and Humber area.

### **Presentation on Industrial Emissions Directive**

11. Richard Vincent (Defra) updated members on the latest developments on the Industrial Emissions Directive, which he noted is not a new Directive but brings together existing Directives under one heading. Among the impacts on Large Combustion Plants was the tightening of the requirements to meet best available techniques (BAT) standards. There are also tighter emission limit values (ELVs) that apply now to new plants and from 1 January 2016 will apply to existing plants. Operators were required to give an undertaking by 1 January 2014 if they wished to take the “limited life” derogation option for any of their plants. Defra has published a list on its website of the plants for which that option has been taken. Those plants cannot remain in the Transitional National Plan (TNP) which would shortly be resubmitted to the European Commission although it would be possible to rescind the “limited life” undertaking until the end of 2015 and return plants to the TNP.

### **Presentation of Coal Forum 2013 discussion paper, “A Strategy for Coal in the UK 2013”**

12. The Chair invited Nigel Yaxley (Association of UK Coal Importers – Coallmp) to summarise the key issues contained in the Coal Forum working group’s discussion paper.
13. Nigel Yaxley introduced the paper which had been distributed to members in advance of the meeting for members to study. He said the strategy document had been produced following the discussions at last year’s meeting, in view of the challenges being faced by the industry and concern at any further closures of deep mines. They believed it was important to have a clear statement by government on the role of coal, otherwise there was the possibility that CCS would be deployed too late for the indigenous coal industry.
14. The Coal Forum recommends that the government should set out the intention to deploy a minimum of 10GW of CCS by 2030 and also recommend that an ambition should be set out under the Electricity Market Reform programme for Contracts for Difference to support CCS projects that are not included in the current CCS competition. A strategy for coal was needed that would set out its place in energy policy. This would also make clear its role and act as a hedge against volatility in the gas market that would otherwise be passed on to the consumer.
15. The Industrial Emissions Directive and the interaction with the Carbon Price Floor were important issues that needed further engagement with

government on the implications. There was a risk of a gap between the closure of existing mines and the start of commercial operation of CCS projects.

16. John Campbell (Fergusson Group) added that the Carbon Price Floor was seen as the most adverse issue facing coal plant. The Coal Forum had called for it to be frozen at current levels for two years. Further clarity was needed on the Capacity Market; it was important that coal was not disadvantaged and they wanted to see coal achieve a level playing field with gas plants.

(The Minister was called away to vote in the House of Commons at this point and left the meeting)

17. Luke Warren (Carbon Capture and Storage Association) said that it was essential that the CCS competition delivered two projects. It would also be important for there to be a clear statement under the EMR programme about support for CCS projects outside the competition. A second phase of CCS projects needed to be developed in parallel with the current competition, and said there must be an ambition to have 10GW of CCS important to get underway for delivery in the 2020s.

## **Discussion**

18. John Harris (Former Chair) commented that as he was attending his last meeting of the Coal Forum it was interesting to note that the same messages still applied that he and members of the Forum had been stressing since 2006. The strategy document had been produced following the comments made at the previous annual meeting by then Energy Minister John Hayes, and it was important to ensure that there is a continuing role for coal generation in an effective transition to a low carbon future.
19. The Chair commented that he understood that the Minister believed there was a lot in the strategy document which rings bells for the Department and that discussion should focus on how we take these forward, particularly actions relating to CCS. Officials confirmed that whilst some of the recommendations would be difficult to pursue, there was significant common ground with HMG already actively working on some of the issues raised.
20. Nico Heslop (HMT) commented on the Coal Forum's call for the Carbon Price Floor to be frozen for two years and said that it should be seen as part of whole EMR package of measures and not in isolation. He added that ministers were aware of a gap between the UK and the rest of Europe but no decisions had been taken yet. He would welcome the ability to have conversations with a small group from the coal sector over the next couple of weeks.

21. John Grogan (Hatfield Colliery) commented on the importance of the Don Valley CCS project to the region. Although it had not been selected as one of the preferred bidders in the CCS competition it was very important that it was not lost in view of its importance to the Yorkshire and Humber region.
22. Chris Kitchen (NUM) stressed the importance of a clear statement of support for the coal industry with only three deep mines remaining, otherwise the opportunity would be lost.
23. Philip Pearson (TUC) called on measures to support CCS to be implemented urgently. The CCS competition needed to be accelerated and further projects integrated on a regional level. He also commented on the importance of the Don Valley project which had already received European funding; need to find ways of triggering progress.
24. In response to these points raised by members in discussion, Jonathan Holyoak said that DECC would give further thought to all the points raised and would consider the merits of a shared work programme.
25. Gordon Banham (Hargreaves) said that Hargreaves was the last publicly listed coal company. It was important for shareholders to have confidence to invest through a clear message of government support for the coal industry. It was therefore important for there to be a strategy. As it was not economic for coal producers in the UK to export, there were concerns about maintaining the domestic market and not losing the skills within the industry. In particular, he noted that the UK coal industry had a strong Health and Safety record; it was important not to lose these skills. There was therefore the need for there to be a clarification of the Government's policy towards coal.
26. Barbara Vest (Energy UK) emphasised the industry's willingness to engage in discussions with HMT on Carbon Price Floor issues and stressed that members should work together to present key issues to be taken forward in discussion with government.

### **Conclusions and actions**

27. The Chair summarised the actions arising from the meeting:
  - DECC would formally respond to the Coal Forum strategy document and comment on the points discussed;
  - Officials would meet to discuss the potential of developing a joint work programme focusing on the recommendations raised in the strategy;
  - The Coal Forum would convene a smaller working group of members to identify and take forward key issues including engagement with HMT on the Carbon Price Floor;

- Coal Forum members would report back to DECC on progress.

The Chair thanked all participants for attending the meeting and also added further words of thanks to John Harris for his work on chairing the Coal Forum since it was established.