

## **Annual Coal Industry Meeting**

**Wednesday, 10 February 2016, 14.00 – 15:30**

**Maurice Barnett Room, Central Hall Westminster**

### **Attendees**

Andrea Leadsom MP – Minister of State

**Chair:** Paddy Tipping

### **Industry:**

Jens Wolf, Drax

Chris Anastasi, Engie

Gareth Halstead, Uniper

Stuart Noble, Scottish Power

Barney Pilgrim, Banks Group

John Campbell, Fergusson Group

Rob Thompson, Celtic Energy Ltd

Neil Brown, Miller Argent

Alan Bilton, Federation of Independent Mines

Nigel Yaxley, CoallmP

Justin Atkin, AB Ports

David Jerome, Peel Ports

Mike MacDonald, Prospect

Tim Page, TUC

Chris Kitchen, NUM

Barbara Vest, Energy UK

Theo Mitchell, CCSA

Steve MacQuarrie, Hargreaves

### **Government:**

Vicky Butt, DECC

David Rutland – DECC

Simon Dawes – DECC

Vicky Woodd – DECC

Eva Stepniewska – DECC

Rob Sanford – DECC

Joanna Wain – HMT

Huw Walters – BIS

Simon Reed, Coal Authority

Ron Loveland, Welsh Government

## Agenda

	Item	Lead	Timing
1.	Welcome and opening remarks by Paddy Tipping	Chair	5-10 mins
2.	Opening remarks by Andrea Leadsom MP	Minister of State	10-15 mins
3.	Presentations on live issues <ul style="list-style-type: none"><li>• Production</li><li>• Ports and infrastructure</li><li>• Carbon price floor</li><li>• 2025 end-date for unabated coal</li><li>• Capacity Market and security of supply</li><li>• Future of CCS</li><li>• COP 21</li><li>• Impacts of recent Government announcements</li></ul>	Industry	40 mins
4.	Discussion / Q&A	All	20 mins
5.	Closing remarks	Chair	10 mins

### 1. Welcome and opening remarks

1.1. The Chair, Paddy Tipping, welcomed all participants to the sixth annual meeting of the Coal Forum.

### 2. Opening Remarks by Andrea Leadsom

2.1. The Minister acknowledged the important role coal has played in developing the UK economy and noted the difficult market economics currently facing the coal industry. The closure of Kellingley, Thoresby and Hatfield during the course of 2015 was a graphic demonstration of these tough economic conditions. The Minister expressed her gratitude to the workforce and the part they have played in heating and lighting our homes, and powering our businesses and economy through the ages.

2.2. The Minister then talked through Government's vision for energy policy, and how it relates to coal.

2.3. The Minister flagged that there will be a consultation on proposals to close unabated coal-fired power stations by 2025 but stressed that energy security will not be compromised and so HMG will only proceed if confident that sufficient new capacity

can be brought forward within these timescales. Attendees were encouraged to share their views on the proposal and respond to the consultation once published.

- 2.4. The Minister recognised the decision to no longer make £1 billion of capital funding available to support the commercial scale demonstration of Carbon Capture and Storage (CCS) was disappointing for the sector. However, she emphasised the Government view remains that CCS has a potentially important role in the long-term decarbonisation of the UK and said HMG is now taking stock to determine its approach to CCS in the UK and considering next steps. As part of this, she invited the industry to engage with HMG to help develop CCS in the UK.

### **3. Presentations on Live Issues**

- 3.1. Nigel Yaxley set out the key issues for the coal industry, which was followed by a wider discussion, summarised below:
- 3.2. Industry fed back that the coal industry is currently in crisis. Low gas prices and the high CPF are pricing coal plants out of the market. In the last couple of weeks two coal-fired power stations have announced their closure. International coal prices have been at their lowest in the decade, leading to mine closures. There have been knock-on impacts on the ports and rail industry, with redundancies announced at a number of ports in recent weeks. It was highlighted that investment is made in 5 year cycles so there is a need for certainty and clarity of policy.
- 3.3. The Carbon Price Floor (CPF) attracted significant criticism and there were calls for a review of its trajectory now and post-2020. The rise of the CPF in April to £18/tonne was blamed for a number of recent closure announcements in the coal and steel industries. Many felt the CPF makes the UK uncompetitive with the rest of the EU as it is higher than the EU ETS. It was also thought that it does little to reduce carbon emissions, as it merely displaces carbon generation outside the UK. Many of those present (but not all) would like to see the CPF reduced. And many would like visibility of its trajectory post 2020, as it affects bids into the Capacity Market.
- 3.4. The proposal to close all unabated coal-fired power stations by 2025 also attracted criticism. It was thought it would have little benefit, in terms of reduced carbon emissions, as there would be very little coal around in 2025 (and gone by 2030). Instead, it was felt, it introduces significant risks around security of supply (particularly given that new build replacement capacity could face delays), and undermines the objective of decarbonising at least cost to the consumer. It is expected that it will result in coal plants closing well in advance of 2025 as it removes any opportunity of a possible upside in the longer term and curtails the payback period for any necessary investment. It also undermines the investment already made by plant to be compliant with the Industrial Emissions Directive and which therefore had a reasonable expectation of survival beyond 2025. It was stressed that coal could be helpful in the transition to decarbonisation and could be good as cheap, backup capacity.
- 3.5. In relation to the Capacity Market, it was stressed that a level playing field should be maintained between technologies. It was noted, however, that there was currently a

lack of a level playing which meant diesel reciprocating engines and interconnectors were able to displace both coal and gas plants.

- 3.6. Concerns were expressed about the loss of jobs and skills across the coal sector. It was felt that more should be done to help retain these skills within the UK and facilitate redeployment of the workforce to other parts of the energy sector. The growth of CCS was identified as one area offering considerable scope for generating demand for skills and jobs in the UK. A request was made for joint working between Government, industry and the unions. A specific issue was also raised in relation to the support provided following the closure of Hatfield Colliery – the Department was asked to investigate why some of the workforce made redundant seven months ago are still awaiting training via DWP.
- 3.7. There was disappointment at HMG's decision to withdraw its support for the CCS Competition. It was noted that other countries are building new coal-fired power stations and investing in CCS. However, it was recognised that the CCS opportunity has not been lost and that recent engagement and discussions through the UK Government's CCS Development Forum and All Party Group have been encouraging. A new policy on CCS is needed and quickly. Gas with CCS is often spoken about, but coal with CCS could also offer benefits in terms of diversity of supply and affordability.
- 3.8. Alan Bilton provided an update on opening a new drift mine at New Crofton Colliery. When this colliery is up and running it will produce 200 – 300k tonnes of coal a year. Almost everything is in place including funding but being held up by the Environment Agency who still need to issue a permit for three bore holes at the colliery. Alan requested the Department's support in achieving a rapid conclusion to the consideration of their permit request.

#### **4. Response to the presentations and closing remarks from the Minister**

- 4.1. On the closure of unabated coal, the Minister stressed that it is very much a consultation at this stage. Energy security remains the priority for the Government and that it is expected that the policy will spark investment in new gas to replace retiring capacity. She encouraged industry to engage in the consultation e.g. what is 'unabated coal'?
- 4.2. On CCS, the Minister reiterated her earlier remarks that it was a difficult decision in the context of a very tight spending review and was based upon a thorough assessment of value for money. Officials continue to work closely with the CCS Association and are working up a credible plan going forwards but it will take time. Industrial CCS and European funding are areas of particular interest.
- 4.3. On skills and jobs, the Minister commented that she has met the Prospect and Unite unions and understands the need for a clear path on jobs. She noted the Department is working with BIS on re-skilling in the energy industry and that she is keen to engage industry and unions to look at opportunities offered in e.g. renewables and shale. She also pointed to her comments on skills during an adjournment the previous evening.

4.4. The Minister finished by saying it had been helpful to hear industry's perspective of the current challenges and will take away the points made.

## **5. Actions**

5.1. The Chair summed up and identified the following actions:

- All members of the Coal Forum were encouraged to respond to the consultation on proposals to close unabated coal-fired power stations by 2025 when it is launched.
- Further discussions to take place on the future direction for CCS policy.
- Industry to seek a meeting with HMT on the CPF.
- Open invitation to comment upon what has been said on skills and training.
- DECC officials to follow up with the Environment Agency the delay to issuing the necessary permits to New Crofton Colliery.