

Power Generation Sub-group - UK Coal Forum

KEY MESSAGES and ISSUES for the Coal Forum on 23 January

Over-arching message

The changing profile of the UK's generation fleet over the next few years, with closure of nuclear and old coal plant, increased renewables and gas-fired generation could present major challenges for the nation if the diversity and flexibility afforded by coal-fired stations is lost. There should be a significant element of the UK's generation capacity that is coal fired and in the context of the concerns over climate change a programme to move ever closer to near zero emissions from coal fired plant must be encouraged. Without such a policy there is a serious risk that the UK will be constrained to use more and more gas without reference to its sources or prices.

Short Term Issues Related to getting Demonstration Plant up and Running

- There is a lack of urgency from Government with reference to incentives for the first demonstrations of CCT with CCS in the UK. There are some 8 prospects announced, but none commit firmly to CCS and all are unlikely to proceed beyond initial stages due to the large financial risks unless this situation is resolved.
- The Coal Forum Power Generation sub-group are firmly convinced that first of a kind projects must be built in UK or other OECD countries, possibly leveraged with international collaboration, prior to establishing them in the developing countries such as China. This should not stop the preparation necessary to engage the likes of China to take up CCT/CCS
- In its recent EU Energy Policy paper the EC has recommended that 10-12 CCS demonstrations/first of a kind projects should be established across Europe to provide confidence in the technologies. To maintain leadership UK needs to ensure that some of these projects are located in the UK and thereby gain the benefits that will go with their siting.
- Co-firing renewable biomass materials is the quickest and most cost effective way of reducing emissions of CO₂ from existing coal-fired power stations. The full potential of this clean coal technology can only be delivered through the proposed reform of the Renewable Obligation.

Longer Term Issues

- Likely closures of existing coal, oil and nuclear plant and modest economic growth imply a considerable capacity replacement requirement over the next 10 years of over 20GWe. For example to fill half of this gap with coal would require approaching 2GWe of new ordered plant every year from 2007-2012.

- **Industry needs to see a longer term framework in place related to regulation and incentives to build new coal fired plant – with or without CCS. Delays would affect longer term investment decisions, and leave little option except to build natural gas fired plant.**
- **Manufacturers are concerned that there is a serious prospect of a log jam in equipment supply for new power plant as new build in several countries comes forward. The sooner that there is a clearer picture of the requirements in the UK the better.**
- **The UK is facing a large shortfall in engineering and crafts expertise which would be detrimental to ensuring that the future power generation needs are satisfied**
- **The credibility of the EU ETS needs to be strengthened and beyond 2012 must be seen as stable and predictable so that companies can make informed decisions on related investment. If an adequate carbon price does not emerge from an improved ETS it is likely that more direct mandatory measures will be enacted through European Commission directives.**
- **The infrastructure to transport CO₂ is not in place and first projects are therefore limited to eastern coastal plants as this reduces risk and uncertainty. This is a cost that few have addressed.**