

**Response, on behalf of the Government, by Mike O'Brien,
Minister of State for Energy and Climate Change, to the
UK Coal Forum's Second Overview published on 25 September 2008**

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The Government welcomes the UK Coal Forum's Second Overview and has detailed below its response to the Overview's recommendations.

Action has already been taken in a number areas and we look forward to working with the Forum over the coming year to implement further their recommendations.

Coal Forum's Recommendations Chapter 3 – Future Markets:

- 1. Acknowledge that impending closures of coal and nuclear plant could bring the nation perilously close to brown outs and/or restrictive power management under certain winter conditions in only a few years hence and therefore action to replace the closing capacity is extremely urgent.**
- 2. Take note of and consider action to offset the poor prospects for new coal fired plant, given coal's security of supply and system flexibility advantages. This arises because of constraints on market operation arising from policies on renewables and nuclear and impending effects of the EU ETS 100% allowance auctioning system. Some figures from our own market analysis are reproduced below to illustrate the potential gas fired generation dependency as in point (ii) below and the real possibility of shortages in electricity supply from around 2012 in point (iii) below:**
 - i. Our most optimistic case for coal shows 60% dependence on gas during a cold still spell in winter in 2016 (cf 36% now);**
 - ii. Our pessimistic case with no new coal shows 75% dependence on gas during a cold still spell in winter in 2016 (cf 36% now);**
 - iii. There will be a generation capacity gap unless a further 2GW of gas CCGTs are built by 2012 and 5GW by 2016 on top of the 12 GW planned/under construction – note that as currently proposed all new gas fired capacity would also have to provide evidence of being “capture ready”**

3. Give a stronger lead on how it sees the place for coal – fired power generation in the UK. The two key questions are:
 - a. Which Scenario meets the Government’s views of a satisfactorily balanced portfolio and can be used by industry as a basis for planning?
 - i. “Optimistic for Coal” being the closest to answering security of supply concerns whilst
 - ii. “Pessimistic for Coal” brings major risks to security of supplies, electricity costs, and no improvement in CO2 emissions.
 - b. What actions are necessary to secure achievement of the “Optimistic for Coal” Scenario? Some are suggested below
 - i. Satisfactory early result from CCR consultation and
 - ii. Rapid inception of the CCS demonstration and
 - iii. Ensuring that gas and coal are treated the same way in related carbon management trading and regulatory systems
 - iv. Satisfactory outcome from the LCPD/ IED negotiations

Government Response:

The Government recognises the need for investment in new capacity to replace closing power stations and that there is a clear role for clean coal in our future energy mix. With regard to the specific actions you suggest: we intend to publish our response to the CCR consultation shortly; under phase III of the EU ETS coal and gas will continue to be treated the same way; and we are fully engaged with negotiations on the Integrated Emissions Directive (IED). We are also planning a new consultation that will go beyond the CCR consultation and propose a new framework for coal power stations.

Coal Forum’s Recommendations Chapter 5 – EU Emissions:

1. The government, through DEFRA, needs to take action on the consequences of some currently proposed EU environmental regulations and respond to ensure that UK operations are not unduly and unintentionally adversely affected. This would involve taking a robust negotiating position with the European Commission on the Industrial Emissions Directive with a view to ensuring flexibility within the existing LCPD is maintained and that there is no reduction in the SO2 Emission Limit Values from that contained in the existing LCPD.

Government Response:

The Government is aware of coal producers' and generators' concerns regarding the proposed regulations and these continue to be taken into account as negotiations proceed.

We believe that the formation of the Department of Energy and Climate Change, from the Energy parts of BERR and the Climate Change parts of DEFRA, will enable us to respond to these issues in a more joined up way.

Coal Forum's Recommendations Chapter 6 - CCS:

- 1 Inject greater urgency into progressing the CCS demonstration.**
- 2. Follow up the CCS consultation as quickly as possible with regulation on "carbon capture ready" in order to expedite new power plant at Kingsnorth and subsequent coal fired plant build.**
- 3. Continue to "push" in Europe for**
 - a. Speedy adoption of the CCS directive, albeit with equal treatment for coal and gas as fuel sources for power plant, and**
 - b. Adopting a policy of only proceeding beyond the "capture ready" stage when it is clear that other major economies are planning similar action, and**
 - c. Establishing a mechanism for funding secondary and possibly tertiary generation fossil fuelled power plants with CCS until such time as the long-run carbon price in the ETS is sufficient to incentivise building CCS fitted power plant without further support.**
- 4. Examine the need (or otherwise) for a national CO₂ collection system and how regional systems with many CO₂ sources might be integrated into it.**
- 5. In partnership with Coal Forum members, establish a specific plan for public education about the role of coal fired generation fitted with CCS as part of a rational, responsive, controllable power system based on a balanced portfolio of technological approaches.**

Government Response:

The UK continues to be a global leader in promoting the development and demonstration of CCS. We are one of just four countries (the others being Canada, Norway and the US) with firm commitments to demonstrating the full chain of CCS at commercial-scale. We have made significant progress in our competitive process and are working towards delivering CCS as quickly as possible.

The UK has also taken the lead in developing regulation for the storage of CO₂ with the Energy Act 2008 providing one of the first legal regimes anywhere in the world for regulating the long-term storage of carbon dioxide. The experience gained in developing our own regulation enabled the Government to play a leading role in the discussions on CCS in Europe, working with the Commission and like-minded Member States to gain agreement on a Directive on the Geological Storage of CO₂ last December that ensures the environmentally safe storage of CO₂ in a way that is complementary to the aim of widespread deployment of CCS. The Directive also requires applicants for new power stations to assess their readiness for carbon capture in a way that does not differentiate between emissions from coal and gas stations.

The UK was also instrumental in securing the agreement in December 2008 of an EU-wide support mechanism for CCS demonstration projects as part of the Climate and Energy Package. This mechanism is introduced through Phase III of EU ETS with 300m free allowances being ring-fenced in New Entrant Reserve for up to 12 CCS commercial-scale demonstration (and innovative renewables projects), with qualifying projects being able to claim up to a maximum of 15% of the total pot. The selection criteria to determine qualifying projects are to be determined by Commission.

The Government was pleased to see that both the Forum and some of its individual members responded to the "Towards Carbon Capture and Storage" consultation last year. We expect to be making our response public soon, now that we have had time to consider the many responses received and the out-turn of the linked EU negotiations. Depending on final decisions, it would then be normal to consult on revised draft guidance on Carbon Capture Readiness(CCR) for applicants on which we would welcome the Forum's expertise and further input.

There are a number of further policy issues that need to be addressed in order to ensure a smooth path from demonstration to deployment of CCS. We plan to publish a CCS strategy later this year that will consider issues such as:

- Infrastructure development in the UK;
- Supply chain development in particular the development of the requisite skills in sufficient quantities to move to deployment and the development of sufficient industry capacity;
- Technology development through continued support for R&D;
- Bridging the funding gap that will continue to exist until costs have reduced and the carbon price has risen sufficiently to make CCS commercially viable;
- Our approach to CCS development globally; and
- Public acceptance of CCS.

We hope that the Forum will engage in discussions to develop this Strategy.

Coal Forum's Recommendations Chapter 8 - Planning:

The Forum notes the progress made to date with efforts to improve liaison and understanding between the CA, CoalPro, LA and MPA generally, and recognises the concerns of coal producers in relation to the operation of the planning system have focused, in the main, on surface mining prospects. However, investment opportunities for “extension of workings” at existing underground mines and proposals for “new underground mines” will also involve planning applications for both the mining areas and possible surface access points. Therefore, the Forum believes that a number of actions by stakeholders would be appropriate:-

- 1. Whilst Government is unlikely to wish to remove the “presumption against” principle, the Forum urges Ministers to continue making supportive statements referring to security of supply, diversity of fuel mix and a need to maximise the utilisation of our own coal resources wherever environmentally possible. Such statements should help to “level the playing field” when consideration is given to appropriate planning applications.**

- 2. Indications are that the proposed IPC will have little concern with coal mining directly. The Forum requests Government to consider a National Policy Statement which makes reference to the production of coal, or at the very least the production of minerals.**
- 3. Operators of both underground and surface coal mines must adopt and demonstrate their commitment to the highest possible environmental standards that can be achieved.**
- 4. Representatives of mine operators and the Planning Officer's Society of England and Wales need to complete the review and subsequently maintain a Code of Practice which can be accepted as an agreed guide for the planning process. A similar process should be implemented in conjunction with the Scottish Society of Directors of Planning. Respective Governments should monitor appropriately.**
- 5. The liaison arrangements being set up between the CA and the various MPA should be encouraged as appropriate by Government.**

Government Response:

The Government is grateful to the Forum for the opportunities it has given to facilitate regular discussions between the industry and planning officials. As the Forum is aware, the Government is not contemplating a coal National Planning Statement (NPS) as the Infrastructure Planning Commission (IPC) being established by the Planning Act, which received Royal Assent at the end of last year, will not be taking planning decisions relating to coal production.

NPSs will however be produced and consulted on most pertinently on fossil fuels and energy infrastructure - that are relevant to the IPC's responsibilities for decisions on power generation infrastructure.

Coal Forum's Recommendations Chapter 9 – Public Perception:

- 1. To build on its recognition of the importance of indigenous coal and its contributions to energy security and poverty relief within a framework of encouraging clean coal technology to ensure its sustainability.**

2. **To ensure that the workings of the “presumption against” policy are understood and enacted properly by all its authorities and development agencies.**
3. **To provide support for a level playing field for planning regulations and to seek to minimise the sterilisation of coal. Buffer zones should be set according to the circumstances of each case and should also apply to built development to avoid sterilisation.**
4. **To welcome the confidence of the UK coal industry in its ability to produce some 20 million tpa, assuming appropriate investment and planning application success.**

Government Response:

Planning Policy for coal extraction in England (whether open cast or deep mine) is set out in Minerals Policy Guidance Note 3 “*Coal Mining and Colliery Spoil Disposal*” (MPG3) published in 1999. Consistent with the broader policy in the White Paper, this sets a presumption against such development unless the proposal meets specific tests in terms of environmental acceptability or the provision of local and community benefits which clearly outweigh the likely impacts.

The Government accepts it has a key role to play by backing the use of clean coal in the energy mix. As I said in a written reply to the House of Commons on 18 November last year “coal needs to remain an important part of our energy mix. It provides the most flexible generation (increasingly needed as back up as the percentage of intermittent renewables increases in the overall mix) and an alternative to over dependence on gas. We are supporting development of clean coal technologies including carbon capture and storage, higher efficiency processes, and co-firing with biomass. Our ambition is to see CCS commercially deployable by 2020. The extent of coal's future use will depend on decisions by operators and technological development”.

Conclusion:

I would like to take this opportunity to thank the members of the main Forum and its sub-groups for the work they continue to do to secure a long-term future for clean coal in the UK.