

Response to the PIU Energy Review from the Yorkshire Coal Task Force
September 2001

The Yorkshire Coal Task Force is an alliance of local authorities, other elected representatives, coal producers, trade unions and other interested parties who support the deep-mined coal industry in the Region.

We welcome the Energy Review and believe it is an important opportunity to restate the case for UK deep-mined coal as part of a diverse and secure energy mix to meet the UK's needs for the foreseeable future

Although far smaller than it once was, we believe that the deep-mined coal industry can and should remain an important part of the nation's energy supplies well into the 21st century.

Current Coal Use

Fuel used by the major power producers in the UK in the first quarter of 2001 was 5.8% higher than in the first quarter of 2000. Coal use was much higher than a year earlier with 23.3% more coal being consumed. Energy Trends (May 2001) puts this down to higher gas prices which meant that coal-fired generation was able to bid at lower prices than gas. Nuclear's contribution was down 1% compared with the same quarter in the previous year. Coal's share of fuel used at 43% was 6% up on the previous year. Given this trend is unlikely to be dramatically reversed in the near future it would seem logical to invest to make coal-fired power generation both cleaner and more efficient.

It seems apparent that gas prices have already moved higher than predicted in Energy Paper 68 and that this trend is likely to continue, underlining the need to secure alternative sources of fuel at stable prices. This would mean, we would hope, giving more serious consideration to investment in cleaner coal technologies but also how the UK's reserves of coal can remain available to power generators in the medium to long term.

The Project Scoping Note raises important questions about security and diversity of energy supplies, but lays too much stress on current projections which show coal generation "likely to have only a limited role" in the future.

Existing Government Activities

It would be useful to include some mention of the FGD programme, under para. 19 of the Scoping Note, as it is an important part of Government policy and the activities of the generators to reduce sulphur emissions. There is a strong case for incentives for FGD stations to be prioritised as the market mechanism in the UK is not likely achieve this.

Cleaner Coal Technologies

The potential importance investment in cleaner coal technologies is down played in the Scoping Note which does mention clean coal technology initiatives but does not point out that this is confined to a relatively small R & D programme of about £4 million a year. There were strong indications from Government Ministers on new initiatives on clean coal technology before the last election. We would hope these

indications could be turned into a programme of action to include the construction of at least one, if not more, commercial demonstration power plants.

The current DTI review of the case for cleaner coal technology demonstration plant is welcomed, especially the proposal that it should be tied in with the Energy Review. We would be concerned, however, if firm conclusions were to be made by the Energy Review before the Cleaner Coal Demonstration Plant consultation is concluded.

There has been extensive research on cleaner coal technologies carried out over the last decades. It is now appropriate that we make use of such technological progress, in particular, to build actual pilot schemes to demonstrate the effectiveness of the research. The experience of cleaner coal power stations operating in other countries needs to be assessed, but there is enough expertise to press forward with a programme of demonstration plants in the UK. This would also give an important boost to the export of these technologies to major coal using countries such as China and India. Although the capital costs of building clean coal plant, such as those using coal gasification, are higher than for CCGTs using natural gas, these costs are coming down. These plants still, however, need some pump-priming either directly from Government or as part of a levy. Incentives in some form are required to construct the next generation of clean coal technology power stations, but this investment would bring enormous benefits in security, diversity, employment, and reducing pollution.

One way forward could be that, when looking at renewables and proposing incentives, clean coal technologies could be considered as part of this “green” group, as the beneficial impact of investment in cleaner coal technologies on the environment could be dramatic.

Coal Imports

One of the main problems from the point of view of the indigenous coal industry has been the recent increase in imported coal, with imports in the first quarter of 2001 being 68.6% higher than a year earlier at 8.9 million tonnes. This might have been taken to be a blip except figures show a steady decline in deep-mined coal production in the UK over the last four years. It is still a significant contributor to the UK and EU energy supply, however, and the fact that it can produce at, or near, world market prices should warrant further support beyond the existing subsidy arrangements and the end of the ECSC treaty in 2002.

The EC Green Paper envisages an increase in the amount of imported coal. This will have an adverse effect on coal producing member states, especially the workforce in the industry, and the coalfield areas, and the extra impact on the environment of importing coal, when currently many mines are located close to the coal-fired power stations they supply.

One solution would be to strengthen the position of indigenous coal, so that EU produced coal retains its current level of production, and imports will not reach the predicted increase of 70% in 20-30 years. However, this can only be achieved if active measures are undertaken, by guaranteeing internal markets for indigenous coal. This will help to encourage investment and ensure that the necessary new mines are sunk. A greater contribution of indigenous coal to the total energy package of the EU

will help to reduce the dependence on other forms of imported energy. This would have the benefits of securing internal jobs and profits, as well as preventing coal mining communities from suffering the deprivation seen from mass closures in the 1980s and early 90s in Britain. Coal is currently seen as a “dirty” and polluting fuel, however, environmental concerns can be met by the use of gasification and other clean coal technologies in new or refitted power stations.

Access to Coal Reserves

Access to reserves of coal in the EU should be maintained, especially in the UK where they have the greatest opportunity of being mined on a commercially competitive basis. Mines need to be maintained in production because of the importance of retaining skilled employees and up-to-date equipment and the relative costs of opening new mines. Moth-balling as is the case with Thorne near Doncaster at a cost of £1 million per year could only be considered with a small number of mines at most.

Minimum level stockpiles and reserves proposed by the EC Green Paper for security of supply should include coal. The member states or the EU itself could stipulate that there must be a minimum level of coal, and a percentage of that in producing states should be indigenous coal. This may also help to encourage investment in new mines, by guaranteeing a demand. Agreement could be reached through the creation of a partnership between those member states which still produce coal and the EU itself to decide on coal production levels within a market framework

Oil Price

Since the price of oil is used as a governing factor in the price of energy, this can have an adverse effect on prices of other fuels, including the price of coal. The UK needs to consider its position with regard to our dependence on oil, in particular in light of the reserves in Europe and in the world.

Meeting Energy Demand

We accept that energy demand is likely to increase, despite energy efficiency measures, gas will be imported, but no new coal mines are being planned to replace those which will come to the end of their “natural” life in the next decade. However, coal provides a very cheap source of electricity. More efficient coal burning could meet increases in demand without increasing coal burn. We also have security of supply (hundreds of years of coal reserves). Coal-fired generation currently supplies roughly one third of the UK energy requirements, and can respond quickly to any crisis. We were forcibly reminded of this in 2000, when coal burn increased to meet the demand created by a lack of electricity from other sources e.g. nuclear/gas/Interconnector.

Restraining Natural Gas Consumption

We need to look again at the current and future use of fuels. Oil is being replaced by gas, households accounting for one third of gas use. Already Sweden has indicated an unwillingness to use gas to produce electricity. If the use of gas for electricity generation were to be limited, as was formerly the case, this would release more gas for domestic use, and increase the life span of UK and EU gas fields.

Previous research proved that coal liquefaction was potentially economically viable, as oil prices rise and imports increase, it should be considered as an option to replace conventional oil forms when necessary.

Energy Use and Planning

Long term planning to replace current facilities (power stations, coal mines, etc) is not being done, and needs to be integrated. North Sea oil and gas reserves are likely to be depleted within the next 20 years – urgent planning needs to be undertaken to ensure that when that time comes, we have enough and suitable power generation, and are not dependent on imports. With the lead time for building such plant, time-scales need to be considered, and to be treated as a matter of urgency.

Competitiveness and Other Factors

The UK has by far the most competitive coal industry in the EU but EU coal as a whole is considered to be “uncompetitive” compared to imported coal according to the EC Green Paper. A strong case needs to be made with the EU that the most competitive coal capacity in Europe needs to be kept available for the sake, not just of UK security and diversity of supply but that of the rest of the EU as well. However, other factors need to be considered, such as the social and economic impact of reducing coal mines from the current level; the consistent quality of UK coal compared to imported coal; the impact on the environment of transporting coal from outside EU, also moving it across the EU. Safety of the workforce, working conditions, the care of the environment which UK and other EU producers demonstrate should be balanced against the price factor of imported coal.

Coal industry employment in the Yorkshire and Humber Region

The setting up of the Coalfield Task Force in 1998 and its subsequent report was a welcome recognition by Government of the disastrous effects of the sudden contraction of the UK coal industry. The need to prevent further closures which cut off reserves of coal and further detract from coalfield regeneration efforts is a priority.

Employment in deep-mining and related industry in Yorkshire is still an important factor in the regional economy:

Selby Complex	2,300 incl. Stillingfleet, Wistow, Riccall and Gascoigne Wood
Kellingley	555
Prince of Wales	540
Maltby	555
Rossington	380
Monkton Coking Works	130
Harworth (just outside region)	590

Harworth, UK Coal H.Q.	300
Hatfield	250
Total	4460

This represents over 50% of coal industry employment in England.

Other coal-related employment has not been accurately estimated but would include numbers employed at opencast sites, coal-fired power stations at Drax, Eggborough and Ferrybridge, transport and mining supplies/engineering. These issues have been taken up with the regional development agency, Yorkshire Forward, which has helped establish a Regional Energy Forum. The recent Energy Forum Foundation Study produced by ECOTEC states;

“As time progresses coal is highly likely to feature in the generating mix and clean coal technology is the obvious choice. Expertise retained and developed now has a high potential future pay-off...it offers jobs not only in the design and installation of plants world-wide but also offers a way of protecting existing regional jobs in coal mining (5,000 jobs and in coal-fired generating plant (1,000 jobs).” (ECOTEC, p31)

Energy Dependence

Although the suggestion is that the world coal market is stable, other factors need to be taken into consideration including the social and economic impacts on current coal producing areas if further closures were to take place. The need for an economically viable coal industry to be sustained in coal producing countries is important for a variety of reasons. If the UK industry falls below a certain size, indeed many would say its current size, it could well become unsustainable and we would therefore lose access to all reserves except at a huge cost. Home-produced coal will reduce risks which may currently be unforeseen. The world political scene has changed drastically over past decades. There is nothing to indicate that such changes may not happen in the future.

UK and EU Energy Policy

There are profits to be made by trading in energy, we should be keeping those profits within the UK whenever possible – guaranteeing a market for UK and EU produced coal will ensure that jobs, money, etc will stay within the EU. We cannot foresee, either, what energy demands there may be elsewhere in the world, which may have an impact on prices and availability – another reason to ensure an internal supply.

It can be too late to implement an energy policy in order to respond to a crisis. Every EU member state should adopt an integrated, balanced energy policy which plans ahead for at least 30 years, taking into account all known factors for that state (indigenous fuel sources, local needs, etc) and for the EU as a whole.

It does not necessarily follow that a decline in the coal industry is inevitable, it is still not too late to prevent this. This can be achieved by investment in the industry – that

will be more likely if there is a guaranteed market, not possible on short term contracts.

A Sustainable Industry

Coal's decline has not only been due to legislative changes but also by governments allowing gas burn for electricity generation. When looking for a minimal coal capacity to be maintained, we need to decide how to set this level. We believe that this should not be less than current capacity or it will not be a sustainable industry. However, current mines have a limited life span, we need to start planning now for the next generation of mines, also to recruit and retain the workforce to access the reserves. Despite the perceived disadvantages for coal of bulk storage and pollution, there are less environmental hazards from transporting it. However, it is easy to build coal fired power stations near to coal reserves (eg as in the Aire Valley – coal transported by rail and by canal). Coal also has a big advantage as a back up fuel, but we need the stockpiles to ensure this. There are also many regional economic and social reasons not to reduce coal production capacity from current levels. Although the EU Green Paper considers coal mining to be a high labour intensity industry, this is not the case in the UK, which is very efficient in its use of its labour resources. We need a production base to give access to our reserves, also to use advanced technologies, but that base should be no smaller than at present.

Nuclear and Coal

There is concern that a nuclear wind-down will take place at the same time as coal mines are being closed, and existing coal fired plant run down – this would cause a virtual energy vacuum. There will also be an impact when EU oil production begins to run down, and world prices rise. Some of the EU's needs may be met by the use of liquefaction – this would help us to resist such an increase in imports and consequent over-reliance on them.

Natural Gas

Market trends expect to see an increase in the use of gas for electricity generation, replacing coal burn. However, gas prices are affected by increases in oil prices and mostly out of EU control, with inevitable dependence on countries outside the EU.. This could have a considerable negative impact if there are any major changes or price rises, particularly with dependence on one major supplier. This constitutes the overriding reason to keep as much as possible of our indigenous energy resources to retain maximum independence.

State Aid

There needs to be revision of the current framework, and transitional arrangements. We need to include transport and energy policy in deciding on state aid, also security of energy supply. The need to promote renewable energy versus the same investment in cleaner coal technologies should be evaluated for their relative environmental benefits. We should also take account of social aspects and the possibility of being more self sufficient in energy. State aid policies may still be needed for the time being. A cost benefit analysis of the closure of a coal mine versus the regeneration measures needed to replace it in the local economy would be an instructive part of bringing energy and economic policy closer together.

Long Term Investment and Strategic Planning

When electricity/gas/coal were in the public sector, the Government had to invest in order to ensure sufficient power stations, coal mines, etc were available to provide for the energy needs of the nation. Now that they are in the private sector, there is a reluctance to invest in costly projects with the new market led emphasis on short-term contracts for electricity supply. There is a “duty of care” for Governments to ensure that future energy needs will be provided for and ensure a balance in sources of power supply.

The situation of an ageing workforce and lack of skills also needs to be addressed; however, if the industry once again has the reputation of being an attractive and long-term business, it should prove easier to recruit and retain employees.

In order to act on demand and provide a secure supply, coal can give a quick response but only if it is there. If production has been cut back to meet a lower demand, the industry cannot produce at the drop of a hat if there is a shortfall – there have to be stockpiles, also sufficient forward planning. The long-term future of the industry is not only achievable by investment in cleaner and more attractive coal fired power stations but also in the industrial and domestic markets. Coal use in large-scale CHP and community heating is well-established in other countries.

In the past, closing down coal fired power stations has been seen as an easy option, as compared with cutting emissions from transport for instance.

Forecasts

We agree that there will be, and need to be, continuing improvements in energy efficiency and in opening up markets. Restructuring of electricity markets, whether as EU policy or in member states, will need policies on renewable energy and investment in a variety of energy sources. Other factors which will have an impact will be the possible phasing out of nuclear power, and price increases of gas and oil. Winding down of indigenous coal industries within the EU cannot be seen as a positive contribution especially in the case of the most efficient of these, the UK industry.

We note that the gross energy demand for the EU is projected to be 11% higher in 2030 than in 1998. It is interesting to note that with a GDP expected to increase by 90%, energy prices will be de-coupled. This gives more weight to arguments other than just pricing to be used when formulating an energy policy and energy structure for the future.

Conclusions

An increase in gas consumption would increase energy dependency and deplete UK and EU stocks more quickly. It is interesting to note that despite an expected decline in solid fuel by 2010, according to EC forecasts, it is then expected to increase again so that it will be one third higher in 2030 than it was in 1998. It would make socio-economic sense for as large a proportion as possible of this solid fuel to be indigenous and not imported.

If clean coal technology power stations, particularly using gasification, were to be built, this may change the outlook and forecast trends considerably. The adverse

impact of closing coal mines and the lack of new mines being sunk needs to be considered. It may be possible for Government to undertake the capital costs of sinking such mines, and leasing them to operators for example.

There are limits to the scope for an increase in energy provision from renewable sources in the time frame envisaged, and we should extend support for renewables to include other “clean” forms of energy, especially cleaner coal technologies on a commercial scale.

With the higher costs of imported gas and oil, less heavy reliance on these now would lead to slower depletion of stocks, and therefore delay the time when we would rely solely on imports.

The EC Energy Green Paper, while still seeing a smaller role for an indigenous coal industry, does point to the need for:

“Investments in energy both to replace the obsolete infrastructures and to meet growth in demand will be necessary in the next ten years.”

“The opportunity should be seized to promote a coherent energy policy at the Community level.” (EC Green Paper, page 9)

The question of investment in cleaner coal technologies and pursuing a coherent EU energy policy should be pushed to the forefront of the questions raised in the UK Energy Review.

As the consultative document on Cleaner Coal Demonstration Plant (CCDP) points out:

*“Given the significant reserves of coal, both in the UK and... world-wide, if used in an environmentally acceptable way, coal **could** (our emphasis) have a long term role in meeting the Government’s objectives of ensuring secure, diverse and sustainable sources of energy.”* (CCDP report p3)

It is the view of the Yorkshire Coal Task Force that there is an urgent need to move from the “could” to the “shall” in this statement and to achieve these objectives using a substantial proportion of UK deep-mined coal.

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