

## **Project Discovery: Options for delivering secure and sustainable energy supplies**

The Confederation of UK Coal Producers (CoalPro) represents member companies who produce over 90% of UK coal output. CoalPro is not opposed to the development of any form of energy but is opposed to an over-dependence on any one form of energy. CoalPro is pro-coal.

CoalPro is pleased to be able to respond to this important Ofgem consultation. The response comprises some general remarks followed by individual responses to the specific questions posed in the document.

CoalPro agrees with much of Ofgem's analysis and shares the concern that the current arrangements will prove inadequate to provide not only the level of investment required overall but also investment in the range of technologies necessary to deliver secure and sustainable supplies. However, CoalPro finds there to be a curious reluctance to mention the "coal" word. For many years, coal has provided a backbone of a secure and relatively cheap electricity supply and is capable of doing so in the future. To be sustainable, new coal needs to be equipped with CCS, though not necessarily 100% immediately. However, the present arrangements will result in only a small amount of new coal with CCS and a free ride for unabated gas. The choice lies between a secure and sustainable future including both coal and gas equipped with CCS or an over-dependence on unabated gas which is neither secure nor sustainable.

1. In general terms, yes
2. There is a need to look more closely at the extent to which closures due to the LCPD and possible further closures due to the IED will be replaced by unabated gas and the consequent effects on security of supply and sustainability in terms of long-term inbuilt high carbon generation.
3. Yes, but again there is a need to more closely relate these to the likely pattern of closures.
4. Yes. This section does not mention the word "coal" at all. There are oblique references to the post 2015 capacity gap and in distinguishing between CCS investment and CCGT investment. Without dealing directly with the coal issue, the analysis is deficient. Apart from this there needs to be explicit recognition that gas will have to be equipped with CCS if long-term carbon objectives are to be met. Requiring CCS on gas as well as coal will present other challenges but at least the issue is then focussed on the need to achieve sustainability through a diverse and thus secure range of fuels and technologies and investors will be clear what they have to do as opposed to concentrating on the short term default option.
5. No. Unless and until there is a requirement for CCS to be applied to gas-fired plant, then unabated gas is the option that will be favoured by investors under all the packages put forward by Ofgem, at least in the short to medium term. The long term here is irrelevant as by then the damage will have been done.
6. No.
7. There must be a requirement for all new generation plant to be low carbon to the same timetable. With respect to CCS, this means applying the technology to part of the plant now, both coal and gas, with retrofit of the remainder of the plant after 2020 when the technology is proven. This is a regulatory requirement to which other mechanisms, e.g. the carbon price, the renewables obligation and related subsidies, will be secondary and temporary.

All low carbon generation will be expensive. Thus policy measures will also need to be developed to address fuel poverty issues alongside the move to a decarbonised electricity supply.

- 8 – 11 CoalPro does not disagree with Ofgem's assessment of the five packages but considers the scenarios taken as a whole to be limited and incomplete. Until there is a commitment to the need to make both coal and gas generation low carbon, which means dealing with the coal

issue and the issue of unabated gas head on, policy will not come to grips with the heart of the issue.

Because this fundamental issue is not addressed, CoalPro finds it difficult to comment coherently on the individual policy packages.

CoalPro will be pleased to discuss further any of the issues raised by this response.

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