

Delivering the UK Coal Phase Out

We welcome the UK government's intention to end the use of unabated coal for power generation by 2025 at the latest. By providing a smooth pathway for the retirement of old coal plants, the UK can maintain security of electricity supply and help achieve a clean, flexible and sustainable electricity system fit for the future. By implementing a clear policy framework, the UK will set an international benchmark for regulatory action by other countries and regions.

The time is right for the UK to take action on coal. The UK's remaining coal plants are ageing, dirty, inefficient, inflexible and unreliable: they are ripe for retirement. But over recent years plant operators have repeatedly extended plant lifetimes by lobbying for weak air pollution regulations and securing subsidies via the capacity mechanism and converting to biomass.

To deliver the coal phase out effectively the UK government must tackle this policy incoherence. If this is done, BEIS modelling shows that coal plants could end operations before 2023. This would result in significant reductions in CO₂ emissions and air pollution that damages human health. **We believe the government should restrict coal generation and capacity ahead of this 2023 timeframe.** This would help secure new investment and reduce the risk that coal plant operators will further extend operating lifetimes.

In November 2016, BEIS published a consultation on its proposed regulatory measures to end the use of unabated coal power generation in the UK. The proposed approach seeks to enable an orderly transition away from coal. We welcome the intent of this consultation. However, to deliver on this aim, we believe the following five principles should be incorporated into the final policy framework:

1. Deliver a clear end date without loopholes.

- The government is clear that it intends for coal plants to close by 2025. But the two Emissions Performance Standard options currently proposed both leave open the risk that coal plant operators could exploit loopholes in respect to levels of CO₂ emissions or the weak application of CCS criteria.
- The proposed EPS options should be improved by tightening the level of allowable CO₂ emissions, and this should be reflected in changes to operating permits. In the event that CCS criteria are implemented they should require compliance with advance milestones from 2020 onwards. The EPS options could also be introduced earlier as part of a transition pathway to restrict coal generation and capacity in advance of 2023.

2. Ensure effective constraint on coal power generation prior to closure.

- The Carbon Price Support mechanism has had a substantial positive impact over recent years by reducing the level of generation from coal plants. This has helped to reduce CO₂ from coal generation by about 80% since 2012; and begun to improve air quality as the dirtiest power stations closed. The level of the CPS is currently frozen to 2021.
- The CPS should be extended in Budget 2017 to continue at current levels until the completion of the coal phase out. If this approach is not taken, then alternative regulatory measures will be required to ensure an effective constraint on generation. This should be set to ensure coal does not needlessly displace gas generation (already in 2016 the remaining nine coal plants averaged just 22% load factor) and should implement tighter restrictions on coal generation by 2023.

3. Restrict subsidies to coal from the Capacity Market.

- Old coal plants have already secured £453m of payments under the capacity market in just 4 years. There is 6GW of coal with capacity contracts to September 2021. It is no surprise they are willing to stay open, when they are being paid so much money. It is incoherent for government to continue paying expensive subsidies for coal plants that are ripe for retirement, which results in the exclusion of flexible, low- or lower-carbon alternatives, particularly demand side response and electricity storage. These capacity payments have provided an unwarranted pre-retirement bonus to coal plants.
- Coal plants should be restricted (and ultimately excluded) from receiving contracts under the capacity market in advance of the final phase-out date as part of a transition pathway. This would enable increased investment in clean alternatives and provide the smooth retirement profile desired by government to avoid crunch points for security of electricity supply ahead of the final phase out date. Such an approach would also align with government efforts to restrict the amount of diesel generation.

4. Rule out biomass as an abatement option.

- The UK is already the world's largest importer of wood pellets—the vast majority for use as fuel in inefficient, electricity-only plants. Burning forest biomass, whether in dedicated conversions or co-fired with coal, is not a credible coal abatement strategy. There is now ample evidence that the wood pellets currently burned in UK power plants far exceed government emissions thresholds; but they are wrongly counted as zero carbon at present. Additionally, burning biomass for electricity results in negative impacts on air pollution, forest ecosystems, and wildlife, and has been shown to be a costlier replacement for coal than solar and wind.
- BEIS should reinforce the coal phase out policy framework with reforms to UK bioenergy policies. These reforms must mandate full emissions accounting for biomass-fuelled power stations: any use of biomass for electricity must properly reflect full lifecycle CO₂ emissions (including stack emissions) and not be zero-rated. They should also strengthen sustainability requirements for biomass sourcing, and place an overall cap on the use of biomass for energy to reflect the limited supplies of truly sustainable low-carbon sources. No subsidy support should be given for biomass in the UK's remaining inefficient electricity-only coal power plants.

5. Enable a positive and fair transition for workers and communities.

- The UK's remaining coal power plants would need to close at some point in the coming years due to age, economic factors and poor pollution controls. This would in turn impact on the UK's last few coal mines and associated infrastructure. The government's approach could enable an orderly transition that can assist affected workers and communities in advance, but it has failed to set out any proposals.
- We recommend that the government supports inward investment and worker retraining in the affected areas, in line with the proactive approach proposed in its emerging Industrial Strategy. This should include proactive dialogue with unions and local communities to ensure the full restoration of mine sites and effective re-use of power plant locations. Similarly, we welcome the government's decision to call in the proposed opencast coal mine at Highthorn (Druridge Bay) in Northumberland on climate change grounds, and urge that the mine is rejected after the Public Inquiry takes place this summer. This should be followed by revisions to planning policy and permitting to prioritise mine restoration.

Increasing the UK's International Influence

In 2015 the UK was the first country to announce a national commitment to coal phase out. It has since been joined by a growing group of countries, regions, cities and utility companies who are taking similar measures. These include Canada, Finland, France, and Portugal; the Provinces of Alberta and Ontario, plus New York and Oregon states; the cities of Berlin and Beijing; and utility companies as diverse as DONG Energy, DTE Energy, El Paso Electric and Los Angeles Department of Water & Power.

The UK's policy framework for coal phase out can provide a powerful precedent on the international stage. By strengthening the initial proposals further (as proposed above) the UK can set the benchmark for effective and positive policy action that reduces demand for coal.

Alongside its confirmation of the final form of the UK policy framework, we believe the UK government should also launch an ongoing cooperative effort with international partners to share best practice and accelerate the spread of coal phase out efforts. This should include collaborative efforts to assist countries currently seeking to leapfrog over coal to clean energy.



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