

Coal Generation in Great Britain: The pathway to a low-carbon future

Response from the Energy Intensive Users Group

General Comments

The Energy Intensive Users Group (EIUG) represents the UK's energy intensive industries (EIIs) including manufacturers of steel, chemicals, fertilisers, paper, cement, lime, glass, ceramics, gypsum, glass, aluminium and industrial gases that compete in global markets and depend on access to secure, internationally competitive energy supplies to remain in business. These foundation industries employ 200,000 people directly, support 800,000 jobs including their supply chains, and make a £15bn pa contribution to UK GDP.

Consultation Questions

1. Do you have any views and evidence on the options outlined above, including on relative benefits and risks? Are the principles above a sound basis for designing a regulatory approach?

EIUG supports the long-term goal of decarbonising UK electricity supplies, but believes the priority for UK energy policy should be ensuring that emissions are reduced at least cost to consumers whilst maintaining security of supply, not necessarily mandating the means by which those reductions are to be achieved. Nevertheless, if the government wishes to introduce legislation to phase out unabated coal generation from around 2025 we would therefore prefer it is conducted in a manner that minimises the risk of negative impacts on security of supply and increased cost to electricity consumers.

We do not have a clear preference between Option 1 and Option 2. Option 1 would retain the flexibility of the existing 'mass based' Emission Performance Standard as applied to new power stations, which is advantageous – but it would also mandate a minimum level of CCS demonstration, which could be unnecessarily restrictive. Option 2 would have the advantage of not specifically mandating CCS, but would introduce a more restrictive instantaneous emission limit that could be more costly to accommodate.

We agree with the suggestion that any such requirement should apply only to units that use solid fuel for electricity generation, have a nameplate thermal capacity of 300MWth or greater, and that were commissioned after 1987.

With reference to the Impact Assessment published alongside this consultation, do you have any views and evidence on the impact of these proposals? Are there alternative approaches that meet the objectives of closing unabated coal generation?

We note that the Impact Assessment (IA) shows there are zero benefits to the UK economy in the central scenario for both of the two policy options considered.

The IA also suggests the proposals could result in a modest but discernable increase in the cost of electricity to Energy Intensive Users (EIIs). This would be in addition to the already large and growing cumulative impact of climate policies that have resulted in UK EIIs facing amongst the highest industrial electricity prices in Europe, 80% more than the EU average. EIUG cannot comment on the precise scale of this additional impact, but nevertheless believes it should be taken into account and included in discussions with government about the overall cost of

unilateral climate policies to trade-exposed UK EIs and the mitigating measures required in addressing the consequent risk of carbon leakage.

Under option 1, do you have any views on the proportion of generation capacity on which CCS demonstration should be mandated?

We have no specific suggestion for the mandated proportion of generation capacity for CCS demonstration, but would caution against the imposition of an arbitrarily high level that risks triggering plant closure at sites where less ambitious CCS demonstration might otherwise be trialed, with the realistic possibility of extension at a later date.

Do you have any evidence or analysis on the impact of these proposals on the likelihood of generators moving to higher levels of biomass co-firing?

The consultation document notes that any increase in co-firing of biomass under the Renewables Obligation would give rise to pressure on the Levy Control Framework (LCF) but it is less obvious why there should be a consequent impact on consumers' bills. It is BEIS's responsibility to ensure that the already considerable and rapidly escalating costs of renewable subsidies are brought down in line with the LCF limits agreed with HMT. If rather more of the LCF budget is directed towards biomass than previously anticipated then rather less will be available to subsidise other technologies such as offshore wind. This is only a problem for consumers if BEIS allows renewable subsidies to get out of control. There may well be a case for controlling spending on biomass co-firing under the RO, providing of course that this results in better value for money to consumers in terms of the average cost of CO₂ abatement.

Decarbonisation through use of biomass has been identified as an option available to a number of EIs as part of sector and government decarbonisation roadmaps. There are practical and environmental limits to the availability of indigenous biomass. Any increase in biomass use in the power sector would put further pressure on already scarce supplies and may cause problems in terms of security of supply and affordability for industrial uses for which viable decarbonisation alternatives may not be available.

Do you have any views or suggestions on the date in 2025 from which the proposed obligations should take effect?

The obligation should not take effect until after the winter 2024/25 high demand period has ended, e.g. no earlier than March/April, but otherwise we have no specific preference.

2. Do you agree with the principle of establishing a constraint on coal generation in the years ahead of 2025?

EIUG is not convinced of the desirability let alone the necessity of imposing a constraint before obligations come into force in 2025. Prematurely constraining operation of existing coal plant can only raise power generation costs, which are ultimately borne by consumers.

Have you any views on how a constraint might be implemented, including on whether a constraint should be applied uniformly to each plant or across the fleet of generators, and any supporting evidence?

If the government is determined to apply such a constraint care must be taken to ensure this is done at least possible cost. This is most likely to be achieved by allowing generators maximum flexibility in meeting that constraint, i.e. by applying it across a fleet of generators.

Are there alternative ways of delivering the objective of phasing out coal generation by 2025 without negative impacts on the security of supply?

Yes – government commitment to phasing out Carbon Price Support at the earliest opportunity, and in any case by 2025, would remove a significant barrier to much needed investment in new gas fired power generation to replace retiring coal capacity.

3. We would welcome comment on our proposals. What are the positive and negative aspects of the Secretary of State retaining powers to be able to temporarily suspend the closure date or constraint in previous years if he believes this is justified?

EIUG would strongly support the Secretary of State retaining powers to temporarily suspend the closure date or other constraints if that proves necessary to ensure security of supply. This would be an entirely positive aspect of the proposals as far as electricity consumers are concerned.