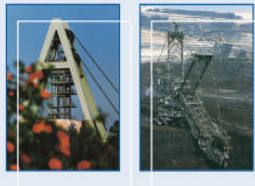


EURACOAL

European Association
for Coal and Lignite

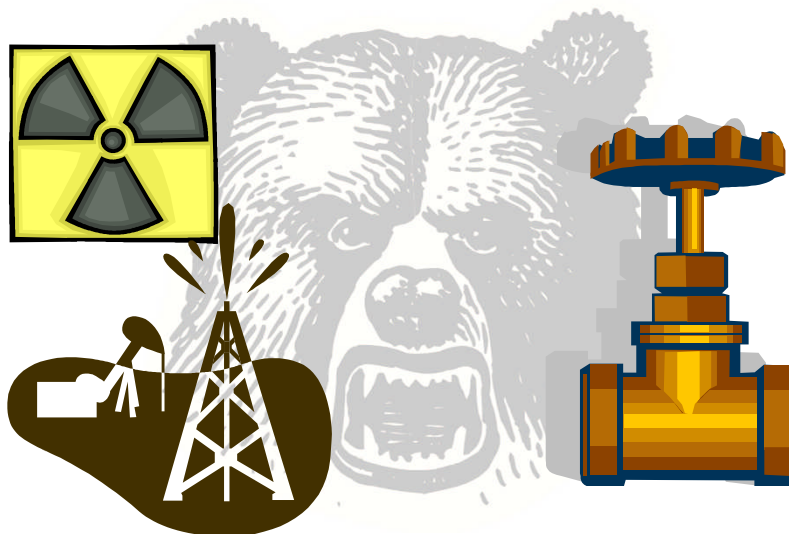


Secure and Sustainable Energy from Coal

Nigel Yaxley, President, EURACOAL

Brussels, 23rd January 2006

2006 – Energy in the News.....



....leads to questions for Europe today

- How to keep European prices for consumers and business competitive in a global context - today and tomorrow?
- How to balance the European ambitions in the field of environment and economic growth?
- How to manage geopolitical risks and to balance the power of states which control 90 % of all known oil and gas reserves and dictate prices?
- How to develop a sound technological path and realistic time frame in the energy sector?

The energy debate should deal more with current questions and resolve what needs to be done today

The 90's – a false sense of security

- The fall of the Iron Curtain, European unification and victory in the Gulf War white-washed geopolitical risks
- Over-capacities in oil, gas and coal blurred the view of unequal distribution and limitation of natural resources
- Rock-bottom prices reduced investment among producers and aroused false expectations among customers
- Overestimated contribution of renewables in short and mid term
- Coal and Nuclear “les mal-aimés” – EU Green Book 2000
- Tendency to misinterpret energy policy as an extended arm of climate policy

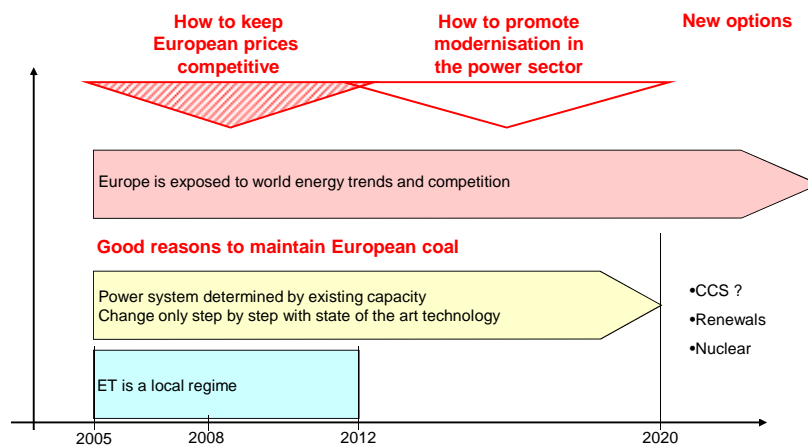
Insufficient risk assessment – A broader approach is needed

...But lessons have been learnt since 2000

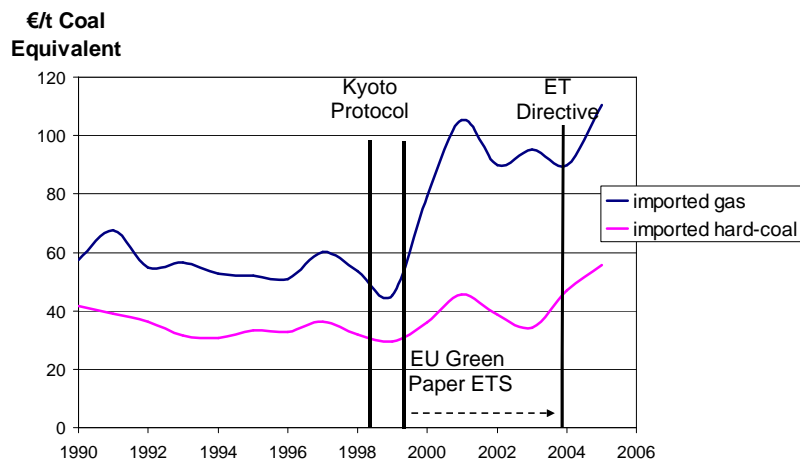
- Accelerating growth of demand especially in the developing world
- Sky-rocketing oil and gas prices → the cartel is working well again
- 9/11 – the threat of terror
- Realistic evaluation of contribution of renewables up to 2020
- The China-Syndrome, a new perspective on resources
- Fossil fuels will be the backbone of the energy system in the decades to come

There is a need to reassess energy policies

The energy time-line....keeping European prices competitive



Price relativities have moved dramatically since conception of EUETS



Source: Statistik der Kohlenwirtschaft e.V./ EURACOAL

Coal equivalent = 25.122 GJ/t

Yaxley, Brussels - 23rd January 2006, Slide No. 7

EURACOAL

EURACOAL's Observations

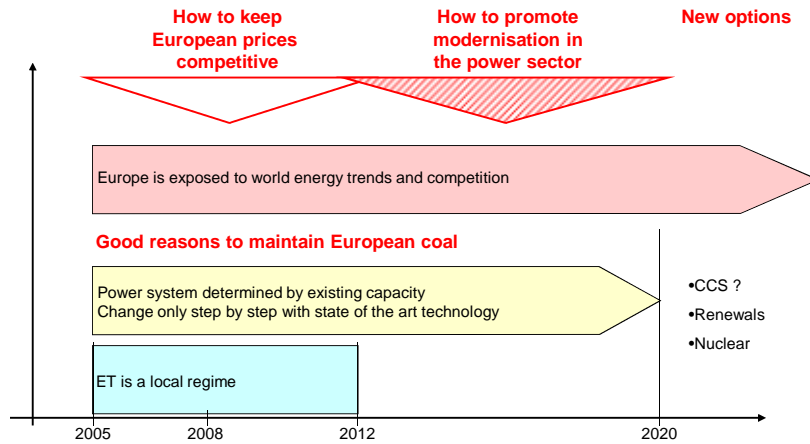
- The increasing price differential between gas and coal has led to a new situation in the power market
- Emission Trading limits the contribution of cheaper coal
- CO₂ reduction through fuel switch has become increasingly more expensive and will jeopardize European competitiveness
- EUETS is too short term to give necessary signals to bring forward investment in clean coal

Policy makers have to take care that CO₂ permit shortage and high CO₂ prices don't cause economic damage and need to revise policies to encourage investment

Yaxley, Brussels - 23rd January 2006, Slide No. 8

EURACOAL

The energy time-line.... ...modernisation in the power sector

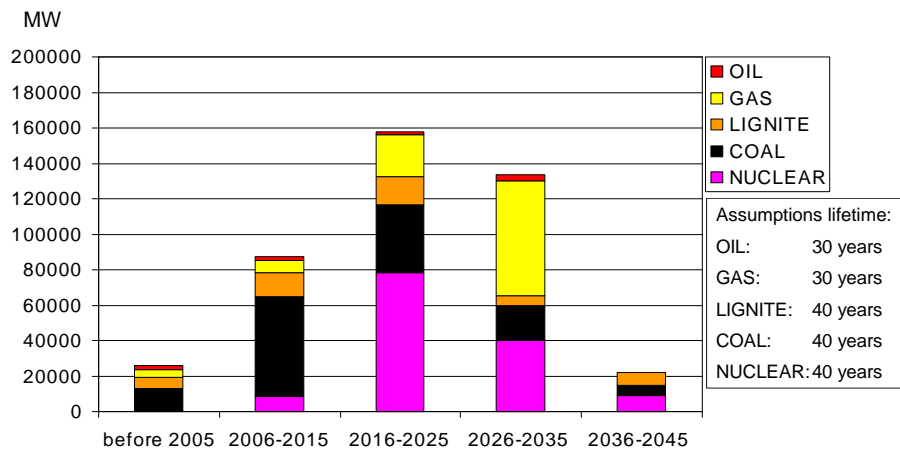


Yaxley, Brussels - 23rd January 2006, Slide No. 9

EURACOAL

Capacity needs to be replaced in EU 25

(using a simplified lifetime assumption)



Source: Prognos

Yaxley, Brussels - 23rd January 2006, Slide No. 10

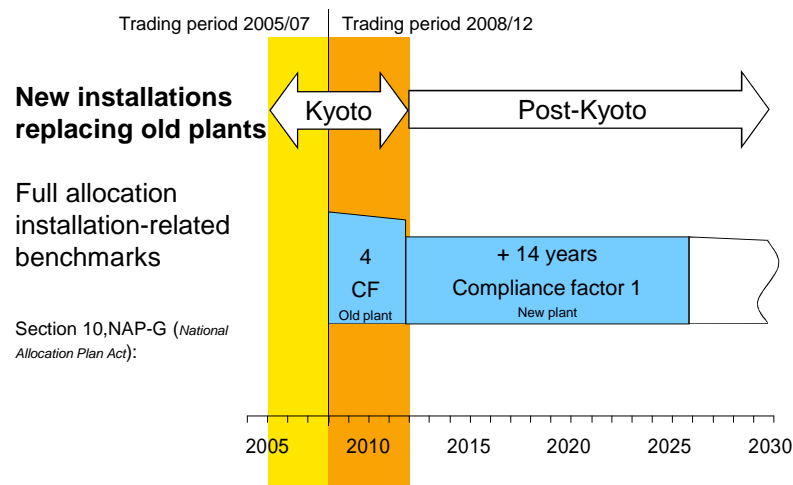
EURACOAL

We should maintain the coal and nuclear options for Europe

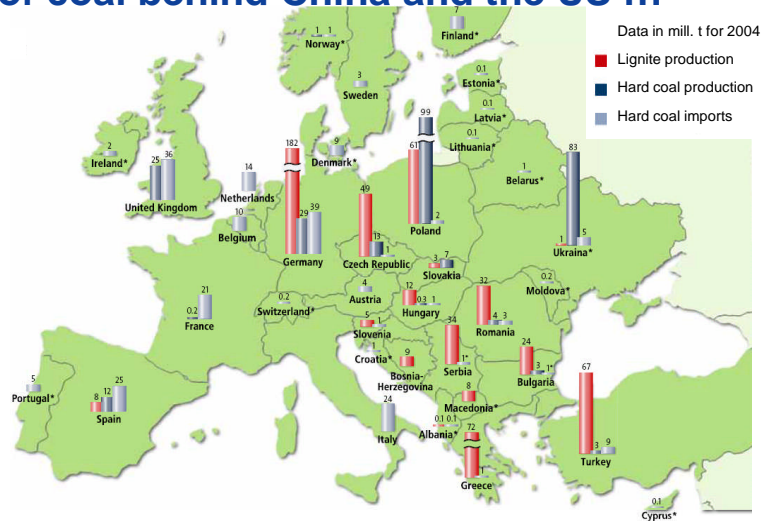
- OECD Strategy after oil crisis – still valid today?
- Oil and gas are indispensable for mobility and heating
 - they are mainly imported by industrial countries and are clearly exposed to price risks
- Coal and nuclear energy are principally power sources
 - provide a long-term, secure supply
 - conducive to price stability

Policy makers should reaffirm their historic commitment to coal and promote clean coal as a key energy source for power generation

A stable Emissions Trading regime in Germany has encouraged investment



Europe is the world's third largest consumer of coal behind China and the US ...



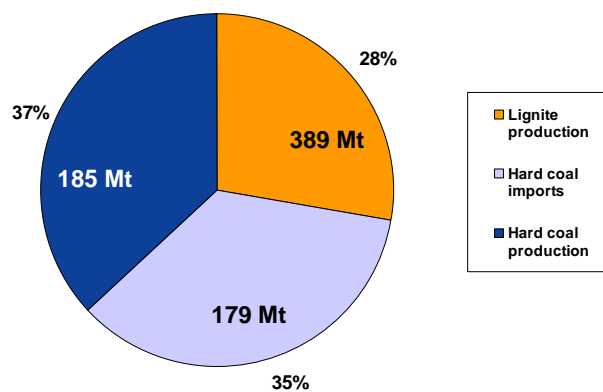
About 490 mtpa hard coal and 560 mtpa lignite

Yaxley, Brussels - 23rd January 2006, Slide No. 13

EURACOAL

... With indigenous coal supply making a major contribution

EU25 Solid Fuel Supply 2003 (adjusted for calorific value)

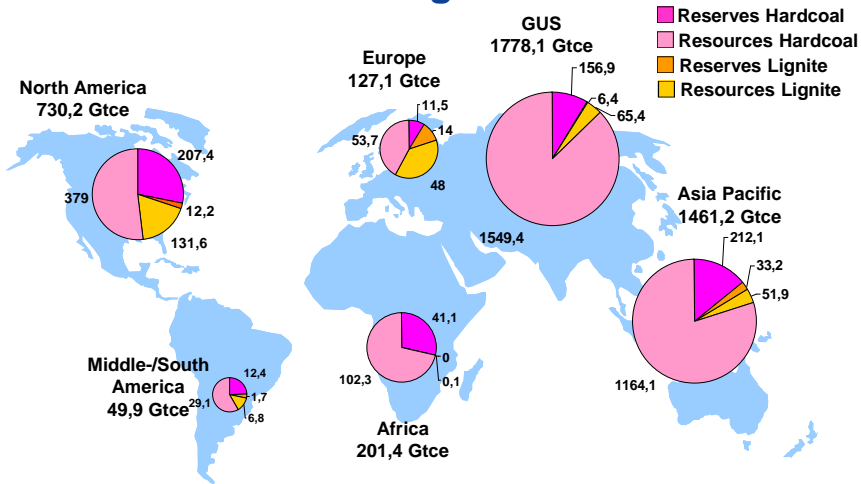


Source: European Commission / EURACOAL

Yaxley, Brussels - 23rd January 2006, Slide No. 14

EURACOAL

... And with reserves of coal and lignite well distributed throughout the world



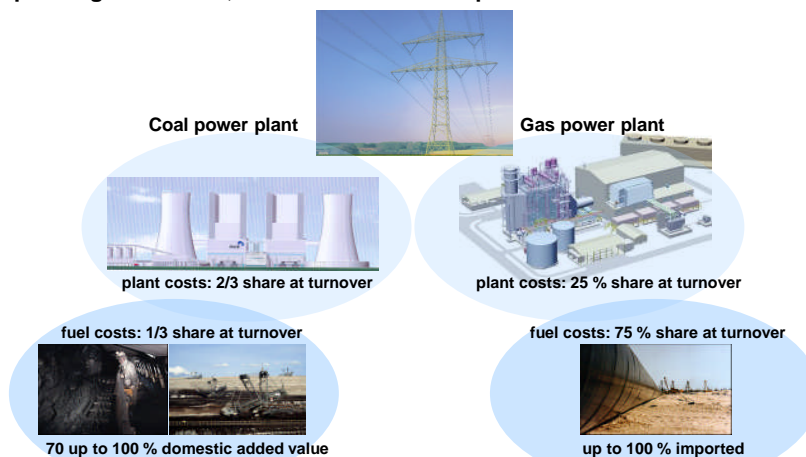
Source: BGR – 2004

Yaxley, Brussels - 23rd January 2006, Slide No. 15

EURACOAL

Energy flow is cash flow

5.6 Billion € turnover in a 1,000 MW power plant over 20 years operating time with 7,000 h/a at a base-load-price of 40 €/MWh



Power generated from coal promotes growth in the EU

Yaxley, Brussels - 23rd January 2006, Slide No. 16

EURACOAL

Coal in Europe is secure, economic, sustainable, and part of the solution

- Europe needs a secure, economic and environmentally sound energy supply based on an appropriate energy mix
- Coal's role in this context is crucial
- Past burdens should not hinder coal's future potential
- Technology and continuous modernization are the way to preserve resources and reduce CO₂
- Reliable regulatory framework is needed for investment in clean coal power plants and in the mines to fuel them

Let us work together to reaffirm the role of coal and to make coal
part of the solution to climate change