

Annual Coal Industry Meeting 10th February 2016

Item 3 – Live Issues Nigel Yaxley

Coal production and infrastructure remains under imminent threat

- UK coal production remains in crisis and struggles for survival in the face of hostile Government
- Key issue is the unprecedented sudden, rapid and continuing collapse in the market following the hike in the carbon floor price from April 2015
- Jobs are being lost in railways and ports as well as production and generation
- Skills are being lost throughout the supply chain and investment is almost impossible

Carbon tax is hastening coal closures – new 2025 regulation is unnecessary

- Since the 'Coal Strategy' in 2013 the majority of Coal Forum members have consistently called for a rethink of the Carbon Price Floor (CPF)
 - CPF is costing jobs now – not only in coal infrastructure but in wider industry – e.g. steel
 - CPF does nothing to reduce CO₂ emissions at EU level
- With more short-term coal plant closures announced, policy action is necessary now to protect supply security and affordability
- The 2025 announcement made headlines but seems increasingly untenable – no further regulation should be brought forward

Coal Forum 10th February 2016

Slide 3

Coal can and should provide security and affordability during the transition

- Premature closure of coal plant is not necessary for meeting carbon targets and risks security and affordability
- Capacity market must remain available for existing coal plant on level playing field with gas
- Makes more sense than building new diesel generation
- Interim arrangements should enable coal to survive until CM begins
- As coal is phased out Government should address skills and employment issues

Coal Forum 10th February 2016

Slide 4

New CCS policy is urgently needed

- A strategy for coal and CCS is also a strategy for more affordable electricity
- Abandonment of CCS is incompatible with lowest-cost decarbonisation
- Government statements have been ill-briefed or disingenuous
- CO₂ infrastructure cannot be bought 'off the shelf'
- New policy is urgently needed to give investor confidence for projects