

EURACOAL Press Release

IEA World Energy Outlook 2011: what about coal?

European Parliament, 7 December 2011

Brussels (8 December 2011) – At a dinner debate last night, Dr. Fatih Birol, Chief Economist at the International Energy Agency (IEA) presented his objective and frank assessment of the global energy scene. He said, “The door is closing on policies to limit global temperature rise to 2°C.” and added that the EU would, in the future, need to pay much greater attention to its oil-supply security. He went on to describe coal as the “forgotten fuel”; it has underpinned growth, but its future will be shaped by the uptake of more efficient power plants and CO₂ capture and storage, he said.

In his opening address, EURACOAL President, Dr.-Ing. Hartmuth Zeiß, explained that coal fuels over 40% of electricity around the world because, “it is the cheapest and most conveniently available fuel”. “Countries blessed with coal would not voluntarily abandon this resource.” he added. Quoting IEA statistics, he said that coal had been the fastest-growing energy source over the past decade. Dr. Zeiß called for a balanced energy mix in the EU, a belief in markets, technical innovation and a pragmatic approach to environmental protection. Investment in state-of-the-art coal-fired power plants was the first step on the road to CO₂ capture and storage (CCS), he said, but policymakers needed to establish a stable framework to encourage such long-term investment commitments. A second step, he continued, was to develop and demonstrate more efficient power plants alongside CCS, before taking the final step of deploying CCS widely. With these three steps, Dr. Zeiß believed that the EU could show global leadership on the cleaner and smarter use of coal. “Cheap electricity from coal is the feedstock for a competitive industrial society – a competitive Europe”, he concluded.

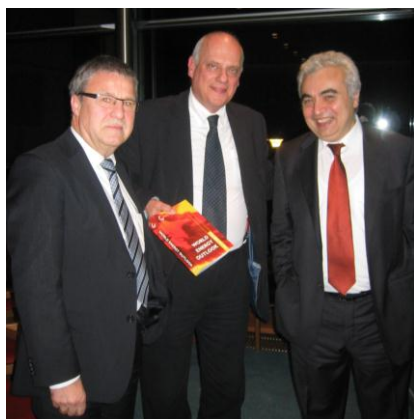
At the dinner debate, hosted by the European Energy Forum and sponsored by the European Association for Coal and Lignite (EURACOAL), Dr. Birol highlighted several important realities of energy supply, including:

- Coal accounted for nearly half of the increase in global energy use over the last ten years, with the bulk of this growth coming from the power sector in emerging economies. Future coal demand depends critically on government energy and environmental policies, especially in China and India.
- Global energy demand is expected to increase by one-third from 2010 to 2035, with China and India accounting for half of this growth. Dr. Birol viewed this as, “the one certainty in a world of uncertainties”: energy demand will be pushed higher with rising incomes and rising population.
- The US will become less dependent on imported oil as its own tight oil production grows and its cars become more fuel efficient. EU oil imports are forecast to overtake those of the US around 2015, while China will become the largest importer around 2020.
- A slowdown in nuclear, post Fukushima, could give a boost to renewables, but it would also increase import bills, reduce diversity and make it harder to combat climate change as more fossil fuels are burned to fill the gap.

- Renewable subsidies will continue to rise since the rising deployment of renewable energy technologies is likely to outpace their improving competitiveness.
- By 2017, all CO₂ emissions permitted under the 2°C target, adopted by EU Member States and other nations, will be “locked-in” by existing power plants, factories, buildings and other long-lasting assets.

During an extended Q&A, Prof. Samuele Furfari, former Deputy Director-General and now special advisor to DG Energy, reflected that 30 years ago, the Commission’s energy policy was based on coal, conservation and nuclear power – the so-called “CoCoNuc strategy”. Based on the IEA’s assessment, he ventured that that strategy still had global relevance today. Ms. Mercedes Martín González, Director-General of CARBUNIÓN in Spain, asked about the IEA’s coal price forecast, while Mr. Brian Ricketts, EURACOAL Secretary-General asked if the IMF economic growth rates assumed by the IEA could be met with the forecast high energy prices. He linked the current economic crisis to the high cost of energy and wondered if adding a high carbon cost was at all compatible with maintaining economic growth. Dr. Birol reminded guests that the IEA makes price assumptions, not forecasts, but he believed that we had entered an era of three-digit oil prices which had the effect of redistributing wealth to energy-producing countries. He saw international coal prices being driven by developments in Asia, with India likely to surpass China as the biggest coal importer soon after 2020. Clearly, the balance of payments of those regions that depended heavily on energy imports would suffer.

Mr. Giles Chichester MEP, President of the European Energy Forum, chaired the evening debate. In thanking the speakers, he praised the objective analysis and stimulating debate, calling it a “*tour de force*”. He added that he had, “rarely heard the realities of energy supply explained so clearly and so starkly within the confines of the European Parliament” and welcomed the contributions of the IEA and EURACOAL to the on-going energy and climate policy debate.



Dr.-Ing. Hartmuth Zeiß, EURACOAL President and Chairman of the Managing Directors at Vattenfall Europe Mining AG & Vattenfall Europe Generation AG (left) with Mr. Giles Chichester MEP (centre) and Dr. Fatih Birol, Chief Economist, International Energy Agency (right) at a European Energy Forum dinner debate sponsored by EURACOAL in the European Parliament, Brussels on 7 December 2011.



Mr. Konrad Szymański MEP (left) squares up to Mr. Brian Ricketts, Secretary-General, European Association for Coal and Lignite (right) at a European Energy Forum dinner debate sponsored by EURACOAL in the European Parliament, Brussels on 7 December 2011.

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Notes for editors:

- The European Association for Coal and Lignite (EURACOAL) represents the interests of coal producers, coal importers and coal users in Brussels. The Association recently published *Coal industry across Europe 2011*, a detailed review of the European coal industry with sections on the world coal market and climate policy (www.euracoal.org).
- The European Energy Forum (EEF) offers a forum for debate on energy issues. Events are organised for EEF members who are MEPs with an interest in energy. Associate Members are companies, R&D organisations, associations (including EURACOAL) and regulators. The European Commission actively participates. Debates are chaired by EEF President, Giles Chichester (ECR, UK) or by one of eight Vice-Presidents: Jerzy Buzek (EPP, Poland), Norbert Glante (S&D, Germany), Edit Herczog (S&D, Hungary), Romana Jordan Cizelj (EPP, Slovenia), Herbert Reul (EPP, Germany), Paul Rübzig (EPP, Austria), Britta Thomsen (S&D, Denmark) and Alejo Vidal-Quadras (EPP, Spain).
- Coal meets over one quarter of world energy demand (27%), second only to crude oil (33%).
- The EU consumes around 720 million tonnes of coal each year, 10% of the world total of 7 230 million tonnes. China is the largest consumer (3 320 million tonnes) followed by the USA (960 million tonnes).
- 27% of EU electricity demand is met by coal, compared with 41% globally.
- Indigenous coal production of 530 million tonnes brings security of supply benefits and added value to the EU economy. The vast majority of EU coal production is fully competitive. State aid totalling an estimated €1.7 billion was paid in 2010 to cover production costs at mines producing less than 25 million tonnes of coal that is currently uncompetitive.
- 255 000 people are directly employed in the EU coal industry.
- EU legislation ensures that some of the world's cleanest and most efficient coal-fired power plants are found in European countries. For example, the Nordjyllandsværket power plant in Denmark where half of the country's electricity comes from coal, all imported from a competitive global market.
- Investing in new more efficient coal-fired power plants reduces CO₂ emissions by one quarter or more at a much lower cost and with greater certainty than any alternative.
- Planning for a low-emission future means that new coal- and gas-fired power plants must be built with enough space for CO₂ capture to be retrofitted and a potential route to CO₂ storage identified.

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