Coal in European Power Policy
Analysis – The wonderful 90’s

- 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 medium-term
- Coal and Nuclear, the unloved – EU Green Paper 2000
- Tendency to misinterpret energy policy as an extended arm of climate policy

Conclusion: Too much wishful thinking. Insufficient risk assessment calls for a broad approach.
Lessons learned since 2000

- Accelerating growth of demand especially in the developing world
- Sky-rocketing oil and gas prices → the cartel is working well again
- 9/11/2001 – the threat of terror
- Realistic evaluation of contribution of renewables up to 2020
- The China-Syndrome, a new look at resources and availability
- Fossil fuels will be the backbone of the energy system in the decades to come

Conclusion: There is need to reassess energy policies
Coal is a key part of the world’s energy mix – and growing

Primary Energy Consumption of Fossil Fuels – 2005 to 2030

Source: BP – 2005, EU Commission
Dependence on Energy Imports of EU 25 will Increase

Use of domestic coal reduces import dependence.

Most, 13th September 2006
Power requirements of the Enlarged Europe will increase with coal remaining a major player

Source: EU Commission, Trend to 2030

GWh
Renewables (Hydro)
Gas
Oil
Nuclear
Coal
2002
3.0
15%
17%
6%
32%
30%
2030
4.5
36%
2%
17%
27%
+ 54%

Most, 13th September 2006
Green Paper
A European Strategy for Sustainable, Competitive and Secure Energy

Positives:

- Security of supply and competitiveness (more in the centre of discussions)
- Regular strategic EU Energy Review including coal
- Clear message that the Member States are responsible for their energy mix
- End of over-estimation of gas
- Backing of Carbon Capture and Storage.
Green Paper

A European Strategy for Sustainable, Competitive and Secure Energy

Negatives:

- Necessity of coal in the long-term energy mix not explicitly acknowledged
- Important role of coal in some Member States not considered
- Efficiency improvement not considered as the best strategy in the medium-term to secure coal production and use in EU-25; the role of coal narrowed to near zero emission power plant
- Renewables still over-estimated: no job machine; comparison of wind and coal capacities not possible
- ET Scheme: its role for Europe’s competitiveness is not dealt with.
Commission and EURACOAL Contacts

- Coal Dialogue - a joint Commission and EURACOAL event on an annual basis
- WG Coal within the Fossil Fuels Forum
- Regular meetings on specific issues
Follow-Up of the Green Paper
Activities relevant for Coal

- Strategic Energy Review; first issue to be adopted by the Commission in January 2007

- Communication on Sustainable Coal

- 7th Framework Programme on R&D – first projects to be identified in the near future

- No White Paper
The Clean Coal Concept

Clean Coal I
Retrofitting & new state-of-the-art constructions
Improved efficiency
Reducing SO$_2$, NO$_x$ and dust

Clean Coal II
Research & Development
Increasing efficiency to > 50 %

Clean Coal III
CO$_2$ Capture and Storage
by 2020

Investment in the most up-to-date technology.

Most, 13th September 2006
Coal in Europe – Secure, Economic, Sustainable and Part of the Solution

- EU Clean Air Policy already very successful

- CCS is a promising technology route, an upgrade to the commercial scale is the challenge

- Realistic timeframes required – it is likely to take 15 to 20 years before the vision of deployment on a commercial scale can come true

- Common efforts of industry, politicians and authorities indispensable.
Technology and Improved Efficiency

- Using energy more efficiently – end users and energy producers such as power plants – can significantly reduce emissions per MWh.

- Can contribute significantly to combat climate challenges; this is considered to be possible much earlier than by using Carbon Capture and Storage.

- An efficiency of more than 50% in coal-fired power plants still needs research and development.

- Has to be done before full deployment of Carbon Capture and Storage due to the CCS-efficiency penalty.

- Can be used to help developing countries.

- A positive investment climate is necessary, particularly in an Emissions Trading Scheme. Rules must be conducive to investment and therefore consistent for a very long time.
Specific advantages of domestic coal

- The use of domestic coal deposits reduces import dependence, thereby increasing security of energy supply.

- Regional prosperity and employment are created; a 500 MW power station operating 7000 h/p.a. and selling electricity for 40 €/MWh anchors 3 bn. € in the region within 20 years. With indigenous coal, the added value remains in the region.

- The additional economic prosperity enables the regions to develop their economic structure without any disruptions, but with a long term vision.
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