

Energy industry

Ban coal from backup power subsidy scheme, says Scottish Power

Energy company and RenewableUK argue it is 'counterproductive' to spend bill-payers' money on dirty technology



Drax, near Selby in North Yorkshire, is the largest coal-fired power station in Europe. Photograph: Nick Moore/Alamy

Ministers should ban coal power stations from a scheme paying their owners subsidies to provide backup power, a leading energy company and green energy group have urged.

Scottish Power and RenewableUK said it was an “obvious paradox” and “counterproductive” that the government had committed to [closing all coal power stations](#) by 2025 while continuing to support them through the capacity market, [its system for ensuring power when supplies are low](#).

Three major coal power plants [closed last year](#), largely because of the impact of the government’s carbon tax. But coal is still expected to win a significant number of contracts in a capacity market auction starting on Tuesday to provide backup power next winter, paid through subsidies levied on household energy bills.

[Scottish Power](#), one of the UK’s big six energy companies, said it was time to exclude coal from future auctions, the first of which is due in December.

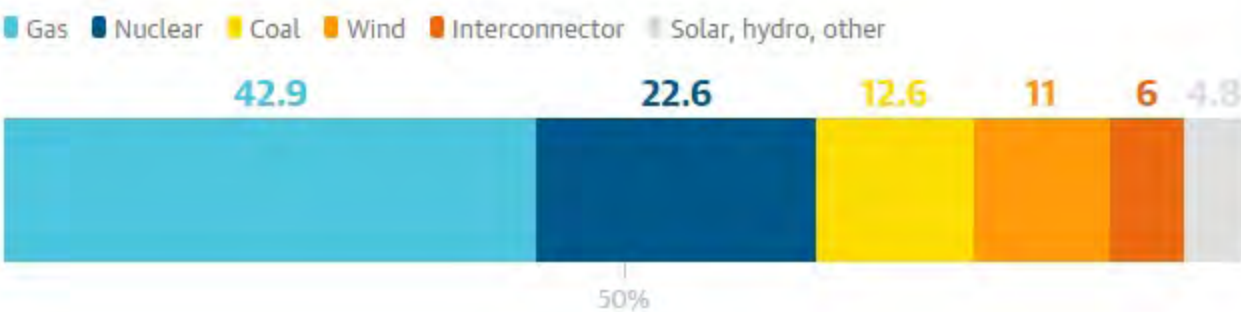
“As coal has to be replaced by 2025, we think that the government should now consider introducing an emissions restriction as part of the qualifying criteria for the next auction in December and any subsequent such auctions,” said Keith Anderson, the chief corporate officer of Scottish Power. As the most carbon-intensive fuel, coal would likely fall foul of any such restriction.

“Replacing old coal with new gas is by far the cheapest way of reducing carbon emissions from the power sector and securing supply,” Anderson added.

The company wants to build a new gas power station, but lost out for that plant in the [last capacity market auction](#) after the price went relatively low, disappointing government hopes of encouraging new gas power stations to be built.

Coal power has plunged in the UK

Percentage share of electricity generation 2016



Guardian graphic | Source: National Grid

Emma Pinchbeck, the executive director of trade group RenewableUK, echoed the call to end subsidies for coal. “Everyone knows that it’s game over for coal. It would be counterproductive to throw bill-payers’ money away on a dirty technology which the government has quite rightly committed to phasing out by 2025.”

She added that the government’s upcoming vision of a more flexible, smarter energy system could show how to keep electricity supplies secure without relying on “old-fashioned, unclean and unreliable” coal.

Steve Holliday, the former chief executive of National Grid, which oversees the capacity market auctions, told the Guardian it was important to consider that in the future the power grid would be more flexible and capable of coping with peaks in demand.

“By 2022 we should have half-hour metering which means lots more business customers can be flexible on their electricity demand; the government says all homes will have smart meters so even if you’re pessimistic the vast majority will have a smart meter; and there will be a lot more battery storage,” he said. “So let’s not commit to big central generation [such as gas or coal] too soon.”

One senior industry figure said the Scottish Power proposals were sensible, but others said it would be better to target [diesel generators, which have won lucrative capacity market subsidies](#).

Uniper, [the company formed to take care of E.ON’s fossil fuel operations when the German group split its businesses](#), rejected the idea of a ban.

“The capacity auctions to date clearly indicate that a phased closure of coal is already happening and a ban seems neither the best way forward to ensure consumers get the best deal, nor to ensure security of supply,” said a spokeswoman for the company, which runs Ratcliffe coal plant in Nottinghamshire.

SSE, which operates the Fiddler’s Ferry coal power station in Cheshire, also disputed the need to ban coal from the capacity market.

Analysts predict the auction this week, which is designed to guarantee backup power in the winter of 2017-18, would fetch a higher price than previous ones. Cornwall Energy said it expected a clearing price of £23 to £28 a kilowatt, compared with [£22.50 in the last auction](#), but coal power generators would drive the price down with bids of £20 to £30.

“Older, less efficient plants will play a greater role in meeting the envelope [of backup capacity] than we have seen before,” the group said.

[Coal operators have previously won agreements to provide a considerable 6.1 gigawatts \(GW\) of capacity in the winter of 2020-21, down from 9.2GW in 2018-19.](#) “We are already seeing a significant reduction in the role that coal will play in the capacity market year on year,” said a government spokesman.

Holliday said the use of “Blackout Britain” headlines should end. “We’ve been talking about blackouts for 15 years every time it gets cold, but it’s a scare story,” [he told the BBC](#).

The Energy and Climate Intelligence Unit, a UK-based thinktank, said the former grid boss’s comments were refreshing, and [noted that none of the UK’s reserve power had been called on this winter](#).

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Adam Vaughan

 @adamvaughan_uk

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