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From The Times

October 8, 2008

Coal-fired power generators face new threat from EU carbon emissions curb

Pollutino from a coal-fired power station near Cologne in Germany whose owners could have to pay a costly emissions permits after 2013

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The future of coal-fired power generation in Europe was called into question yesterday after a European Parliament committee backed new laws that would force power companies to pay for all of their carbon dioxide emissions from 2013.

The decision, which could cost the power industry €30 billion (£23 billion) a year and trigger a steep rise in electricity bills, represents a huge boost for Europe's renewable energy industry. It also casts fresh doubt over the likelihood of a £1.5 billion coal-fired power plant being built at Kingsnorth, Kent, by E.ON, the German power group.

In addition, it flies in the face of British government policy. Last month, John Hutton, the former business secretary, told the Labour Party conference that "no coal . . . equals no lights. No power. No future."

Chris Davies, an MEP who backed the legislation, said that the decision by the European Parliament's environment committee "effectively prevents the building of new coal-fired power plants from 2015 unless equipped with CCS [carbon capture and storage technology]". The new rules require final approval from the European Parliament and EU countries. If granted, they will transform the economics of burning coal to generate electricity.

The move came despite fierce resistance from power industry lobbyists, who said that that the EU's aggressive emissions-cutting targets should be weakened because of the global financial crisis.

Avril Doyle, an Irish MEP on the committee, said: "For all the trouble we have, the single greatest challenge facing us is climate change."

The committee backed proposed changes to the EU Emissions Trading Scheme (ETS), an existing programme in which the bulk of permits are handed out to energy companies for free. Members voted in favour of auctioning all emissions permits after 2013 for power companies. The committee proposed that other polluting industries, such as steelmaking, should pay for 15 per cent of permits in 2013, rising to 100 per cent by 2020.

It had been unclear how the ETS programme would evolve after 2012.

The committee also offered to plough $10 billion from the scheme into carbon capture and storage (CCS) research, an untried technology designed to strip out greenhouse gases at source and store them underground.

The bill is a key plank of the EU's plan to reduce Europe's carbon dioxide emissions by 20 per cent by 2020.

The CBI welcomed the scheme last night, saying that it would provide greater clarity for businesses.

Europe's renewable energy industry also endorsed the decision. Maria McCaffery, of the British Wind Energy Association, said: "This new target underlines the urgency of action to deliver clean, sustainable energy now if we are to keep global temperatures within acceptable limits."

A spokeswoman for E.ON, which relies heavily on coal-fired power stations in Germany, as well as in the UK, said: “We are taking our time to review and assess the decision.”

A vote before the full European Parliament is likely in December, although opposition is expected from some heavily coal-dependent countries, such as Poland. France, which has the EU presidency at the moment, wants to enshrine the Bill in law by the end of the year.