



UCL

25 April 2020

UCL Institute for Sustainable Resources
Central House
14 Upper Woburn Place
London
WC1H 0NN

To whom it may concern

BY EMAIL

The economics of coal and steel, as relating to the proposal for an extension to the 'Bradley' opencast coal mine, in County Durham at 'Land to the West of Bradley Surface Mine Leadgate Consett'; Ref. DM/19/03567/MIN, DM/19/03569/VOCMW

I have been asked to offer my expert opinion on the above planning application for an extension to the opencast 'Bradley' coal mine, referred to as 'Bradley West' in County Durham.

My research focuses on the conditions and policies for achieving an environmentally sustainable economy. I hold a Ph.D. in economics from the University of London and I am currently Professor of Resources and Environmental Policy at University College London. I am Director of the UCL Institute for Sustainable Resources. Until May 2019 I was also Deputy Director of the UK Energy Research Centre. My areas of expertise include energy-environment-economy (E3) interactions and environmental policy, including: sustainable development assessment methodologies; resource productivity; sustainable energy use; E3 modelling and scenarios; the adjustment of national accounts to take account of environmental impacts; environmental economic instruments and ecological tax reform; sustainable consumption; and environment and trade. In 2015 I received an OBE for my services to environmental policy. I attach a brief biography with the titles of some my longer publications as an appendix.

I have been asked to review assertions by HJ Banks & Co Ltd ("Banks") in relation to the likely greenhouse gas (GHG) impacts of the proposed planning permission for the 'Bradley West' extension to the 'Bradley' opencast coal mine. The Environmental Statement ('ES') submitted with the application and Appendix 13.1, a 'Greenhouse Gas Emissions Assessment' by Wardell Armstrong dated October 2019 (hereinafter 'GHG Assessment') make claims about the impact of the mine extension on emissions of GHGs.

In particular, the GHG Assessment makes the following claim about the likely GHG emissions due to the Bradley West extension (at para 1.1.4):

"This assessment does not include emissions from the end use of coal recovered from Bradley, since it is entirely reasonable to assume that they would be similar in quantum to those from coal from alternative sources (primarily imported coal)."

The underlying assumption, which is carried over into the Environmental Statement (and therefore infects its conclusions), is that there is not likely to be any increase in GHG emissions due to the additional coal production from a new mine in the UK. This

claim implicitly relies on there being decreases in production overseas such that the total amount of coal produced globally remains the same.

While this assumption is not spelled out, Banks has elsewhere explicitly explained the basis for their position that they need not assess the GHG emissions from the end use of coal from their mines. For instance, in a submission to Secretary of State for Housing, Communities and Local Government, Robert Jenrick, of 26 April 2019¹, Banks stated:

“... were these customers not being served by coal from H J Banks’ operating sites in the north east, including Bradley, they would inevitably have to look to meet their need for coal from alternative sources. As highlighted below, the most likely alternative source these customers will look to is from imports. The GHG emissions arising from H J Banks’ customers’ use of the coal supplied from its north east sites is therefore a substitute for emissions which would occur in any event.”

(emphasis added)

The claim that global GHG emissions would be unaffected by the consumption of coal mined at Bradley (and by extension, Bradley West), because these simply “substitute” for emissions from coal that would be produced elsewhere relies on the premise that an increase in coal production at the Bradley mine would lead to a corresponding (and equivalent) decrease in coal production elsewhere in the world, or that a mine of equivalent size would close.

Not to beat about the bush, this argument is economic nonsense. The whole of industrial history for the past two hundred years has shown that the increased supply of coal goes along with increased supply of whatever it is that coal is used to produce, and vice versa. It is the most elementary logic of supply and demand that is at the heart of all market operation. Imagine if the owners of the world’s second coal mine had argued that they were not increasing the world’s coal supply, as the owners of the world’s first coal mine would simply reduce their production in response. The situation here is exactly analogous. World demand for coal, or for the products it is used to produce, is not fixed, and putting new supply on the market will reduce the price and increase that demand.

In particular, and in more detail, in this case there is no evidence to suggest that coal from the mine extension would result in reductions in coal extracted from mines overseas. Basic economic theory suggests that (absent special – and rare – circumstances where the demand for a product is considered to be entirely “inelastic”) an increase in the supply of a commodity such as coal will reduce the price of the commodity, leading to increased demand, and therefore increased emissions. This is a normal feature of economic markets and to refute the assumption that greater supply of a product will lead to increased demand would require a very strong argument (and evidence) that the coal market has one or more rare features (such as a cartel which sets prices independently) which override normal economic forces. I am aware of no such claim or evidence here.

Furthermore, the ES states (at para. 17.2) that:

“the minerals to be won at Bradley and Bradley West are essential raw materials required by key industries in the construction sector of the UK economy (steel, cement and brick manufacturers). In this respect any emissions associated with the use of the minerals in the manufacturing process are effectively ‘embedded’ in that activity and are not influenced by the proposed development.”

¹ Para 2.6, “Response of H J Banks & Company Limited to the letter of the Ministry of Housing, Communities and Local Government dated 11 April 2019 in respect of Bradley Surface Mine,” submitted to the Secretary of State on behalf of HJ Banks & Co Ltd by Eversheds Sutherland.

This claim is again contrary to basic economic theory. There is no reason why the demand for steel, cement and bricks would not be responsive to the price of the inputs to their production. Cheaper coking coal will, in the absence of policy incentives, result in more steel being produced through the traditional blast furnace method, and discourage investment in alternatives, even though, as I discuss below, such alternatives exist. Likewise, additional industrial coal will incentivise high-carbon cement production and discourage the development and deployment of lower-GHG alternatives. Thus additional industrial coal production is almost certain to result in additional carbon emissions. And, contrary to the extraordinary assertion above, these emissions are not ‘embedded’² in anything – they are released to the atmosphere where they contribute to climate change.

Without effective ‘supply side’ policies which limit fossil fuel extraction to a particular level (which currently do not exist in any exporting country cited by Banks), there is no reason to expect that there will be a corresponding reduction in supply upon the opening of the West Bradley mine extension. A recent report from the United Nations Environment Programme states that such policies are insufficient or, in the case of many countries, non-existent. Their ‘Production Gap’ report notes “governments are planning to produce about 50% more fossil fuels by 2030 than would be consistent with a 2°C pathway and 120% more than would be consistent with a 1.5°C pathway.”³

The only grounds on which it would be safe to assume that new coal production in County Durham would not lead to an overall increase in coal production would be if one or more coal mines elsewhere could be identified which would shut down production as the coal from the new mine came on stream. Such mines elsewhere have not been identified, and, in the absence of policies or legislation to restrict the extraction of coal elsewhere, it can safely be assumed that the result of the new West Bradley extension would be an overall increase in emissions, as per the argument above.

My own research, published in the journal *Nature* in 2015⁴, states that over 80 per cent of current coal reserves must remain unused in order to stabilise global average temperatures to 2°C; note that the target adopted in the Paris Agreement has a more stringent ‘well below’ 2°C. It makes no climate sense to open new coal capacity in this situation.

A further argument against increasing coal production, with the likely resulting decreasing coal prices, is that this is likely to depress investment in alternatives to the carbon-intensive processes in energy-intensive industries, such as blast furnace steel production. Such alternatives, including reuse and remanufacture of steel; recycling of steel in electric arc furnaces (EAFs); the direct reduced iron process (DRI) which uses gas to make new steel; and producing steel with hydrogen; are all technically feasible. However, the relatively low price of blast-furnace steel production has inhibited the development of these alternatives. Again, in the absence of policy or legislation, increasing the supply of coking coal will further discourage the deployment of these alternatives.

² I am of course aware of the common, and inaccurate, use of this term to describe the energy, water and emissions associated with the production of a commodity, and have frequently pointed out its inaccuracy in discussions. In academic writing it tends to be used as a metaphor, with no implication that it actually means that the energy, emissions etc. are contained in the product in question. Banks’ argument seems to misunderstand this terminology and claim that the emissions are contained in the product, which they manifestly are not.

³ The Production Gap: The discrepancy between countries’ planned fossil fuel production and global production levels consistent with limiting warming to 1.5°C or 2°C, UNEP, November 2019

⁴ McGlade, C., Ekins, P., 2015. The geographical distribution of fossil fuels unused when limiting global warming to 2 °C. *Nature* 517, 187–190.

Although the processes are different, many of the same arguments apply to cement production, which is also a highly energy-intensive process. As with steel, increasing coal extraction is also likely to depress investment in alternative methods of cement production and discourage a switch to lower-carbon fuels to meet the energy requirements of the cement industry.

As the UK progresses toward its statutory target of net-zero emissions by 2050, UK steel and cement production will be required to shift to the low-carbon alternatives described above. From the arguments above it is clear that the coal produced by the West Bradley extension is likely both to increase emissions and to hamper the development and deployment of low-carbon technologies in this industry, thereby supporting the continuance of high-carbon steel and cement production and contributing to dangerous climate change.

Conclusion

I conclude that the claims made by Banks, that the combustion of coal from the West Bradley mine extension would not result in additional carbon emissions, are entirely unfounded. On the contrary, I would expect the mine extension to result in considerable additional carbon emissions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Ekins', with a long, sweeping underline stroke extending to the right.

Professor Paul Ekins OBE
Professor of Resources and Environmental Policy
Director, UCL Institute for Sustainable Resources

Appendix: Biography

Paul Ekins has a Ph.D. in economics from the University of London and is Professor of Resources and Environmental Policy at and Director of the UCL Institute for Sustainable Resources, University College London. Until May 2019 he was also Deputy Director of the UK Energy Research Centre, and the UKERC Co-Director leading on its Energy Resources theme, with research publications on low-carbon futures, fossil fuels and hydrogen. In addition, he is a member of UNEP's International Resource Panel and a Fellow of the Energy Institute. He is a member of Ofgem's high-level Sustainable Development Advisory Group, and was Chairman of the Government-funded National Industrial Symbiosis Programme (NISP), the UK's most successful programme to improve resource productivity. From 2002-2008 he was a Member of the Royal Commission on Environmental Pollution. From 1997-2005 he was a specialist adviser to the Environmental Audit Committee of the House of Commons, from 2003-2007 was a Member of the Government's Sustainable Energy Policy Advisory Board, and in 2007 was a Specialist Adviser to the Joint Parliamentary Committee on the Climate Change Bill. He has extensive experience consulting for business, government and international organisations, which has included over 50 projects and consultancies over the last ten years, and many advisory positions. He has also been a consultant to the Government's Sustainable Development Commission, and an adviser to the UK Government's Advisory Committee on Business and the Environment and Round Table on Sustainable Development, and has been a frequent contributor to His Royal Highness the Prince of Wales' annual course for senior executives on business and the environment at the University of Cambridge, and the Cambridge Programme for Sustainability Leadership. Since 2003 he has been a member, and is now Chairman, of the Judging Panel, UK Ashden Sustainable Energy Awards, and he is on the Judging Panel of the Rushlight and Rosenblatt New Energy Awards. He was a member in 2010-11 of two Ministerial Advisory Panels, on the Green Deal (DECC) and on the Natural Environment White Paper (DEFRA), and is on the Advisory Board of DECC's Energy Efficiency Deployment Office. In 2011 he was appointed Vice-Chairman of the DG Environment Commissioner's High-Level Economists Expert Group on Resource Efficiency and a member of the European Commission's high-level European Resource Efficiency Platform. Since 2015 he has been a member of the European Commission's High-Level Panel on the European Decarbonisation Pathways Initiative. He is currently Co-Chair of UN Environment's sixth edition of the Global Environmental Outlook (GEO-6) and of the Green Growth Knowledge Platform (GGKP)'s Research Committee on Natural Capital. In 1994 Paul Ekins received a Global 500 Award 'for outstanding environmental achievement' from the United Nations Environment Programme. In 2015 he was awarded an OBE in the UK's New Year's Honours List for services to environmental policy.

His publications in this area include numerous papers, book-chapters and articles in a wide range of journals, and has written or edited twelve books, including *Global Warming and Energy Demand* (Routledge, 1995); and *Economic Growth and Environmental Sustainability: the Prospects for Green Growth* (Routledge, London, 2000). His most recent books of which he is editor or co-editor are *Understanding the Costs of Environmental Regulation in Europe* (Edward Elgar, Cheltenham, 2009); *Trade, Globalization, and Sustainability Impact Assessment: A Critical Look at Methods and Outcomes* (Earthscan, London, 2009); *Carbon-Energy Taxation: Lessons from Europe* (Oxford University Press,

Oxford, 2009); *Hydrogen Energy: Economic and Social Challenges*, (Earthscan, London, 2010); *Environmental Tax Reform: a Policy for Green Growth* (Oxford University Press, Oxford, 2011); *Energy 2050: the Transition to a Secure, Low-Carbon Energy System for the UK* (Earthscan, London, 2011); *Global Energy: Issues, Potentials and Policy Implications* (Oxford University Press, Oxford, 2015)