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Analysis of today
Assessment of tomorrow

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Green goals will have to wait; coal is back

Temporary solutions often last longer than those who make them care to admit. Germany has been rapidly increasing its capacities to obtain LNG and regasification. It considers this to be a necessary process, and a "transition period", where it will continue to rely on fossil fuels for some time, means that it will stop the implementation of its outlined green agenda.

On the same path of "temporary" and "transition" is the old and forgotten coal, as an energy source, which is experiencing days of new glory. Coal is making a significant comeback, not only in emerging economies, but also in the developed economies of Western Europe. Projections are that demand will continue to grow in 2023. “Coal markets have been shaken severely in 2022, with traditional trade flows disrupted, prices soaring and demand set to grow by 1.2%, reaching an all-time high and surpassing 8 billion metric tons for the first time”, reported the International Energy Agency (IEA) last December.

Europe has returned to coal

During last year, almost all countries in Europe either extended the duration of coal thermal energy capacities, the end of which approached for environmental reasons, or even increased their participation in the electric energy balance. Denmark, for example, has extended the operations of its three oil and coal-fired power stations to ensure electricity supply, although two of them were supposed to be shut down as early as March 2023. Last September, Germany extended the operation of large coal-fired power stations, which could compensate for a shortfall in the 10 GW electrical systems, if necessary. The operation of seven coal-fired power plants in Greece has been extended. In the Netherlands, the production cap at coal-fired energy plants to preserve gas was abolished.

The UK has extended contracts with producers, which continued the operation of four coal-fired power units and two plants. Similar measures have been adopted in Spain, Austria, Italy, Finland, the Balkans, and in Poland, whose electricity grid has an 80% reliance on energy obtained from coal. The demand for coal has been growing with the increase in gas prices, particularly in 2021. Last year it broke records due to the Russian aggression against Ukraine, which caused a drastic reduction in the gas flow. A return to coal for power generation was within reach, because capacities from renewable sources are still not sufficient to compensate for the sharp drop in gas supply.

According to the IEA, this year will also be marked by record coal consumption, but the forecasts predict that this high rate will be stable until 2025, when it should fall, due to the anticipated gas supply stabilisation, but also due to the increase in the renewables share. “The world is close to a peak in fossil fuel use, with coal set to be the first to decline, but we are not there yet”, said Keisuke Sadamori, the IEA’s Director of Energy Markets and Security.

Green agenda pending

Green goals proponents need to remain even more patient, because their priorities have had to give way to the much more important electricity supply stability. Governments, particularly in Europe, did not show much mercy towards the green agenda, faced with the risk of electricity deficit. Market disruptions set different priorities, so some of the previously set green goals will probably be extended beyond the deadline that was once set.

This might happen in the UK as well, where the goal was to stop outright the production of electricity from coal by 2024, which seems unachievable. Last December, a decision was reached to open a new coal mine in the north-west of the UK, the first in the last 30 years. Production will mainly be exported to Europe. The UK Government expects the mine to operate until 2049, just one year before plans for the UK to reach net-zero carbon emissions expire. This deadline also seems to have been extended.

Coal burning for electricity production remains the biggest cause of global warming and thus a factor in climate change. Coal consumption not only impacts the emission of carbon dioxide, but also atmospheric pollution with sulphur dioxide, soot particles and nitrogen oxides.

These substances will remain in high air concentration this year and the next few years, even if we ignore the growth in coal demand in Asia, which has been higher than in Europe. High coal consumption and demand will be measured for years, since time is required for alternatives such as gas and renewable sources to be able to provide energy stability. At this point, coal is the inevitable solution. Expensive and dirty, but still a solution.