United Kingdom

G20 coal subsidies

Despite clear evidence to the contrary, the UK government denies that it **provides financial support** to coal

Coal and the UK's economy

US$42,963	6,349	332	7%
GDP per capita, PPP (2016–2017 average)	2016 imports (kilotonne oil equivalent)	2016 exports (kilotonne oil equivalent)	Share in power mix (by generation)

Key findings

- Despite undertaking to phase out coal, the United Kingdom (UK) provides multiple forms of government support to coal, both domestically and internationally.
- The UK capacity market, which has provided financial support to coal power producers since 2014, has been suspended under European Union (EU) state aid laws. The effect of the UK's prospective withdrawal from the EU remains unclear.
- The data available on the public finance support the UK provides to coal is an underestimate due to lack of transparency around subsidies; the UK has yet to commit to undertake the G20-recommended fossil fuel subsidy peer review.
- The UK government denies that public support to coal constitutes a government subsidy.

Prominence of fossil fuels and subsidy phase-out commitments

- The UK obtains 52% of its electricity from fossil fuels (IEA, 2019) and continues to provide significant government support towards the production and consumption of oil and gas, and fossil fuel-powered electricity (Gençsü et al., 2017).
- As a member of the G20, the UK has committed to phase out inefficient fossil fuel subsidies over the medium term (as agreed in 2009), and as a G7 member to do so with a 2025 deadline (G20, 2009; G7, 2016). The UK has also committed to phase out environmentally harmful subsidies, including those to fossil fuels, by 2020 as part of the EU and as signatory to the Convention on Biological Diversity (Aichi Target 3) (UN, 1992; European Commission, 2011).
- The UK has committed to phase out support to coal-fired power by 2025 (Littlecott, 2016) and has been prominent in the Powering Past Coal Alliance.

Government support to coal production

- The UK has offered faster rates of depreciation for certain capital expenditures since 1986 (fossil fuels account for around 90% of this) (Minerals UK, 2018).
- Despite its commitment to move away from coal, in March 2019 the UK approved its first new deep coal mine in 30 years (Inman, 2019).
- UK Export Finance (UKEF), the government's export credit agency, financed a coal mine in Russia in 2016.

Government support to coal-fired power

- The UK government provides fiscal support worth £127 million (US$161 million) per year (2016–2017 average) for coal-fired power through exemptions from the climate change levy for combined heat and power stations.
- Since 2014, the UK has operated a capacity market[1] to ensure security of energy supply, although the proportion relating to coal is unclear (Evans, 2018). In November 2018, it was ruled illegal under EU state aid law. The impact of Britain's exit from the EU on this remains unclear. Financial benefits of £77 million (US$100 million) have been estimated for coal power resulting from the capacity market (for the 2016–2017 financial year) (Wynn, 2016).
- Coal-fired power plants are eligible for financial compensation in return for 'black start' services, whereby power is made available immediately following a shutdown. No data is published; however, research suggests that £78 million (US$101 million) was awarded to a single company in 2016 (National Grid, 2016).

The UK's government support to coal and coal-fired power production and consumption
£ millions, 2016–2017 annual average

Instrument	Coal production[i]	Coal-fired power	Coal consumption[ii]	Transition support[iii]
Fiscal support (budgetary transfers and tax exemptions)	not quantified[iv]	127	538	787
Public finance	11	none identified	none identified	none identified
Domestic	–	–	–	–
International	11	–	–	–
State-owned enterprise investment	none identified	none identified	none identified	none identified

Note: for more detail and sources see the UK data sheet available at odi.org/g20-coal-subsidies/uk.

[i] This category includes support for coal exploration, mining, processing and transportation.

[ii] This category includes support for consumption of coal-fired power, and of coal other than for its use for coal-fired power generation (or for co-generation of power and heat).

[iii] This category includes support for closing down mining sites, and for workers and communities in their transition away from coal and coal-fired power.

[iv] The UK provides fiscal support to coal mining through the Mineral Extraction Allowance. However, the resulting amount of support was not available.

1 A capacity market – or mechanism – is 'an administrative measure to ensure the desired level of security of supply by remunerating generators for the availability of resources' (Erbach, 2017: 2).

Government support to coal and coal-fired power consumption

- Value Added Tax (VAT) in the UK is 20%, though a rate of 5% applies to domestic coal and coke.
- According to analysis conducted for this report, exemptions from the climate change levy for industry result in an estimated £538 million (US$682 million) per year of support for consumption of coal-fired power (2016–2017 average).
- The UK government also offers payments to large companies that reduce their peak-time energy usage. Data is unavailable on the value of these.

Government support to the transition away from coal and coal-fired power

- The UK has a carbon tax on electricity production that ensures that gas is cheaper than coal for electricity generation. Consequently, British coal plants now provide top-up power to gas generation rather than running baseload (Jones, 2016).
- The UK is reducing its public financial support to coal. It has supported strong policy proposals within the Organisation for Economic Co-operation and Development's (OECD) negotiations regarding restrictions on the use of export credits for coal power plants (Littlecott, 2016). While the UK (along with the United States and Nordic countries) issued a statement restricting its provision of international coal finance, this excludes finance provided by UKEF.
- Public support for the transition away from coal in the UK is focused largely on decommissioning and abandonment costs, rather than being worker- or community-focused. Our analysis has identified budgetary support for the inherited liabilities related to coal mining of £787 million (US$975 million) per year (2016–2017 average). Other benefits include tax breaks for capital expenditures linked to the abandonment of mines and coalfields.

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This country study is one in an 18-part series. The country findings are collated in the summary report, which you can find at **odi.org/g20-coal-subsidies** along with full references, acknowledgements and further information about methodology and data sources.

Unreferenced information in this summary is from the analysis conducted for this report, available in the UK data sheet at **odi.org/g20-coal-subsidies/uk**.

Author: Leo Roberts