COAL – AN ENABLING COMPONENT OF ENERGY SYSTEMS EVOLUTION
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NWR company profile

- NWR produces quality coking coal, thermal coal and coke from assets in the Czech Republic for the steel and energy sectors in Central Europe
- Employing 17,000 people in three countries
- NWR is strategically located in Central Europe and supplies to a blue chip customer base of steel makers and power generators in the area including Arcelor Mittal, U.S. Steel, voestalpine, CEZ, Verbund, Moravia Steel, and ThyssenKrupp
- In 2013 the Company announced a strategic outlook to reposition NWR into Europe’s leading miner and marketer of coking coal by 2017
- A member of the Central Europe Energy Partners Association (CEEP)
Coal is readily available around the world

- As the world’s fossil fuels become more difficult to extract coal will remain the most economically-viable energy source due to its relative abundance and cost competitiveness against other fuels.

- The global coal industry produces about 7.5 billion tonnes of coal per annum, with an average annual growth rate of 4.4% since 1999.

- Coal will continue to power the growth of emerging economies around the world, particularly in Asia.

### World Energy Reserves

- Hard coal: 23%
- Crude oil: 19%
- Natural gas: 47%
- Lignite: 8%
- Uranium: 3%

### Distribution of Coal Reserves

- Europe & Eurasia: 35%
- Asia: 30%
- North America: 29%
- Middle East & Africa: 4%
- S. & Cent. America: 2%

Source: BP Statistical Review of World Energy
Europe remains dependent on coal

- 25% of Europe’s electricity capacity is coal based, changing little over the past 10 years
- The EU consumes far more coal than it produces, with dependence on imported coal increasing, despite the fact that more than 80% of the EU’s fossil energy reserves are in the form of coal and lignite

**Coal dependence in the EU-27**

**EU Power-Mix**

Source: Eurostat, EWEA
Europe’s transition to fully renewables-based energy will take several decades and substantial investment in infrastructure.

Traditional energy sources (including coal) will be required for some time to bridge the gap in supply.

Coal generation technology has been steadily evolving to meet strict environmental and efficiency standards.

Fossil-based power plants are needed to provide secure generation capacity to back up intermittent renewables generation, particularly as Europe turns away from nuclear power.

Coal represents the most secure resource for Europe, as shale gas looks unlikely to be developed any time soon, whilst international oil and gas supplies cannot be relied upon.

Source: Ecofys, 2010
Future coal requirements are committed

- Coal fired power plants are the most economically viable option in Europe particularly in countries with a domestic supply of coal.
- New coal power plants with about 5,300 megawatts of new coal capacity coming online this year in Germany and many more coal plants will come on line in the coming years.

**Coal in the power generation mix**

**Power plants under construction by energy source, Germany**

Source: Euracoal, Verein der Kohlenimporteure
European competitiveness

- Low-cost energy is essential to keep European industry competitive in a globalised world

- Energy-intensive industries in Europe are already suffering from the effects of cheap electricity supplied in the US from shale gas

- Europe can take a pragmatic approach to its energy transition and strike a balance between its CO2 reduction goals and industrial ambitions

- Investment in new energy infrastructure relies on continued wealth creation from European industry
Central European competitiveness

- Consumers in Central Europe (EU-11) spend significantly higher proportions of their total expenditure on energy compared to their EU-15 peers.

- The ratio of spending on housing related energy is particularly high.

- Further increases in electricity prices in the region could cause serious social problems, as well as decreasing industrial competitiveness.

Source: Roland Berger & CEEP
Coal is the bedrock of Central European industry

- Energy policy informed by regional specifics is more efficient than a on-size-fits-all approach

- The industrial development of Central European countries was built around coal mines which continue to supply steel mills and power plants throughout the region

Employment in industry as a percentage of all economic activities by regions (2011):

- Total EU employment: 218 million
- Total EU industrial employment: 38 million, or 18% of all economically active people
- Central European regions are above the EU average (e.g. Moravia-Silesian Region, Czech Republic. 36%)

Source: Eurostat
Conclusions

- Coal is the most economically viable and geopolitically secure source of energy as Europe makes the transition to renewables over the next 30 - 40 years

- Affordable energy is critical for industrial growth and wealth creation required to finance new energy infrastructure

- Europe can benefit from a locally-aware energy policy

- The coal business will be a reliable stakeholder and partner in Europe’s energy transition