Industrial Emissions Directive - RWE npower Perspective

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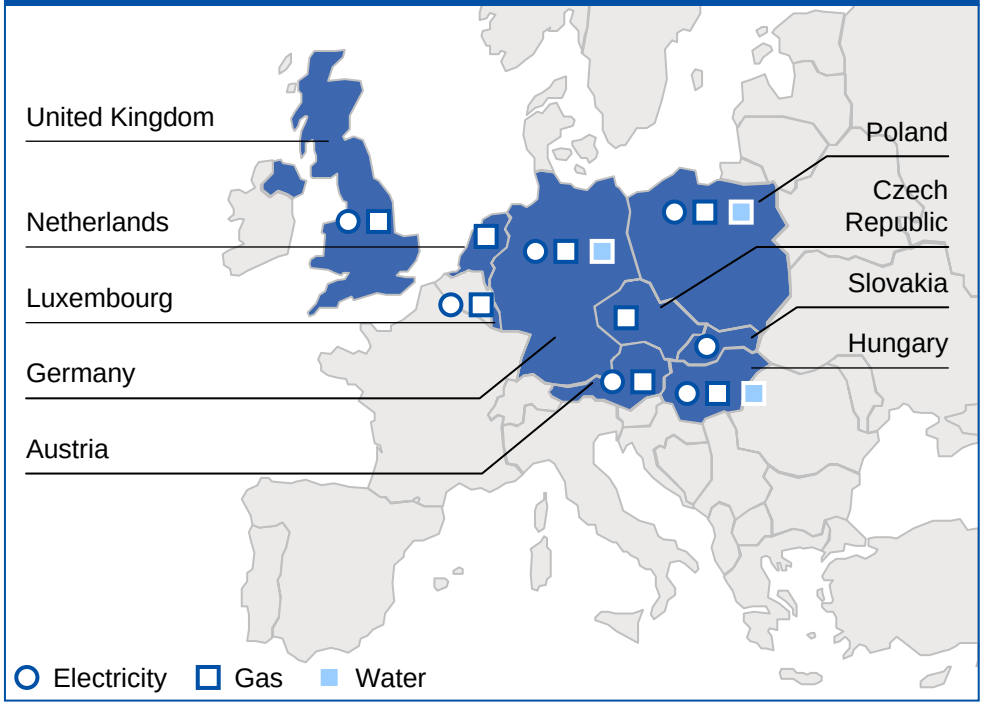
The energy to lead

RWE npower: Part of RWE Group – one of the top 5 integrated European utilities

RWE Core Markets



Leading Positions in Core Markets

Product / Market*)	Electricity	Gas
Germany	No. 2	No. 3
UK	No. 4	No. 4
Eastern Europe	■ No. 2 in Hungary ■ No. 3 in Slovakia ■ Active in Poland	■ No. 1 in the Czech Republic ■ Leading position in Hungary ■ Active in Slovakia
Total Europe	No. 3	No. 6

We have leading positions in two of Europe's largest markets as well as in strongly growing CEE markets and own a large upstream position in both Europe and North Africa.

*) Market positions of the RWE Group in terms of sales.

RWE UK generation

- Cogen sites – total 517MW
- Wind sites – total 470MW
- Hydro sites – total 70MW

Didcot B
1,370MW
CCGT

Didcot A*
2,000MW
Coal

Pembroke †
2,000 MW
CCGT

Aberthaw
1,500MW
Coal

Cowes
140MW
OCGT

Little Barford
680MW CCGT

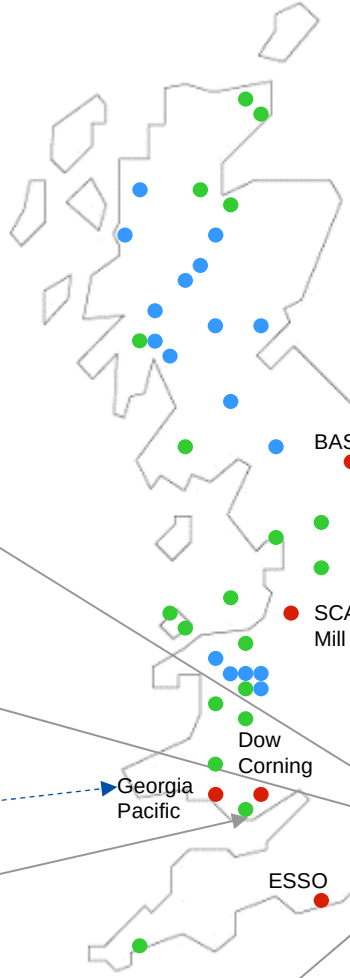
Staythorpe †
1500MW
CCGT

Great Yarmouth
420MW CCGT

Littlebrook*
2,000MW Oil

Tilbury B*
1,000MW
Coal

Fawley*
1,000MW
Oil



† under construction

* Opted-out under LCPD

IED – General comments

- RWE welcomes the initiative to merge and unify emission protection law for industrial installations at a European level and the unification of emission law requirements in the Member States.
- The BREF should remain as guidance for regulators who must retain the ability to determine BAT taking site specific issues into account.
- Whenever there are rule changes, such as reducing emission limits, that impact on existing assets the risk of creating stranded investments needs to be carefully considered. The more this happens the higher the perceived regulatory risk becomes and this impacts on future investment decisions.
- The proposals on official monitoring, inspection and reporting requirements need substantial simplification.
- Duplicate regulations on soil and waterbody protection should not be in IED. There are already adequate regulations on these existing in European and national law.

IED – UK generator perspective - the context

- The major challenge for the electricity sector is decarbonising supply whilst maintaining secure supplies at an affordable price.
- New nuclear programme is gathering pace but will not deliver any significant capacity before 2020.
- Wind power is also being deployed in greater quantities year on year but onshore planning constraints continue to be a problem and the infrastructure to support offshore needs to be developed.
- CCS demonstration is needed urgently if the technology is to play a role in the early 2020's
- 11.5 GW of LCPD related coal and oil closure by 2015 and 2-6 GW of old nuclear around the same time – most being replaced by CCGT.
- Power plant operates in different ways, from base load to peaking. BAT needs to recognise the different roles and determine what is appropriate for plant that runs continuously and also for plant that runs very infrequently
- IED has to be considered in this context.

IED – UK generator perspective - the transition options

- The additional compliance options introduced by the Council are not easy options – they are well defined with clear boundaries.
- The Transitional National Plan provides a bridge from LCPD regime (only introduced 2 years ago) to IED using a strict mass emission cap and leads to equivalence with IED Annex V limits by the end of 2018 – the maximum emissions are quantified in advance.
- The Limited Life derogation provides a maximum number of hours (low load factor operation) and closure within a fixed period – again the maximum emissions are quantified in advance.
- Both require that the permit condition applying at the end of 2015 must at least be maintained – there can be no relaxation on environmental performance.
- Access to these options are at the discretion of Member States as was the case for LCPD, they do not have to be applied if they are not needed.

IED – UK generator perspective - the concerns

- Lack of compliance options will force early coal and gas plant closure. Under the original proposal up to 25% of UK capacity could close shortly before 2016, most of which will have to be replaced by new gas plant.
- BAT needs to be site and role specific. A BAT “one size fits all”, or a European Safety Net, approach may either result in inappropriately high levels of abatement on peaking plant if it set too low, or allow base load plant to emit at too high a level if it is set too high.
- A high level of wind power will need an increased level of flexible reserve capacity that may only run infrequently. Apart from GT’s for emergency use running less than 500 hrs p.a. all new plant built into this market will have to meet Annex V part 2 limits. These are suitable for base load plant but not peaking plant. As a minimum the 500 hr derogation should be amended to cover all fuel types.
- A CO2 emission limit value on coal power stations would:
  - Discourage the early investment in new coal plant needed to demonstrate CCS (stranded asset risk)
  - Undermine the EU ETS if applied to existing plant, lowering carbon price and deterring investment in low carbon technologies
  - NOT reduce CO2 emissions under the EU ETS, but merely allow other sectors to emit more
  - Be a clear case of “double regulation”

IED – UK generator perspective - the conclusions

- The “flexible“ options (TNP and Limited Life derogation) are essential for a well managed transition to low carbon electricity supply.
- These options are not uncontrolled “easy“ options, they are clearly bounded and limit plant operation in ways designed to deliver environmental equivalence.
- The IED new plant provisions should not restrict new peaking plant to gas alone.
- There is no relaxation of environmental limits, the limits that apply in 2015 must at least be maintained.
- The options lead directly to compliance with IED Annex V limits.
- The options are optional at Member State level as well as at operator level.
- We need an early resolution so that we can plan the investments needed to deliver the Climate and Energy package obligations.
- We urge you to support the compliance options as set out in the Council’s text.

Thank you very much for your attention