

**The Scottish Opencast Industry**

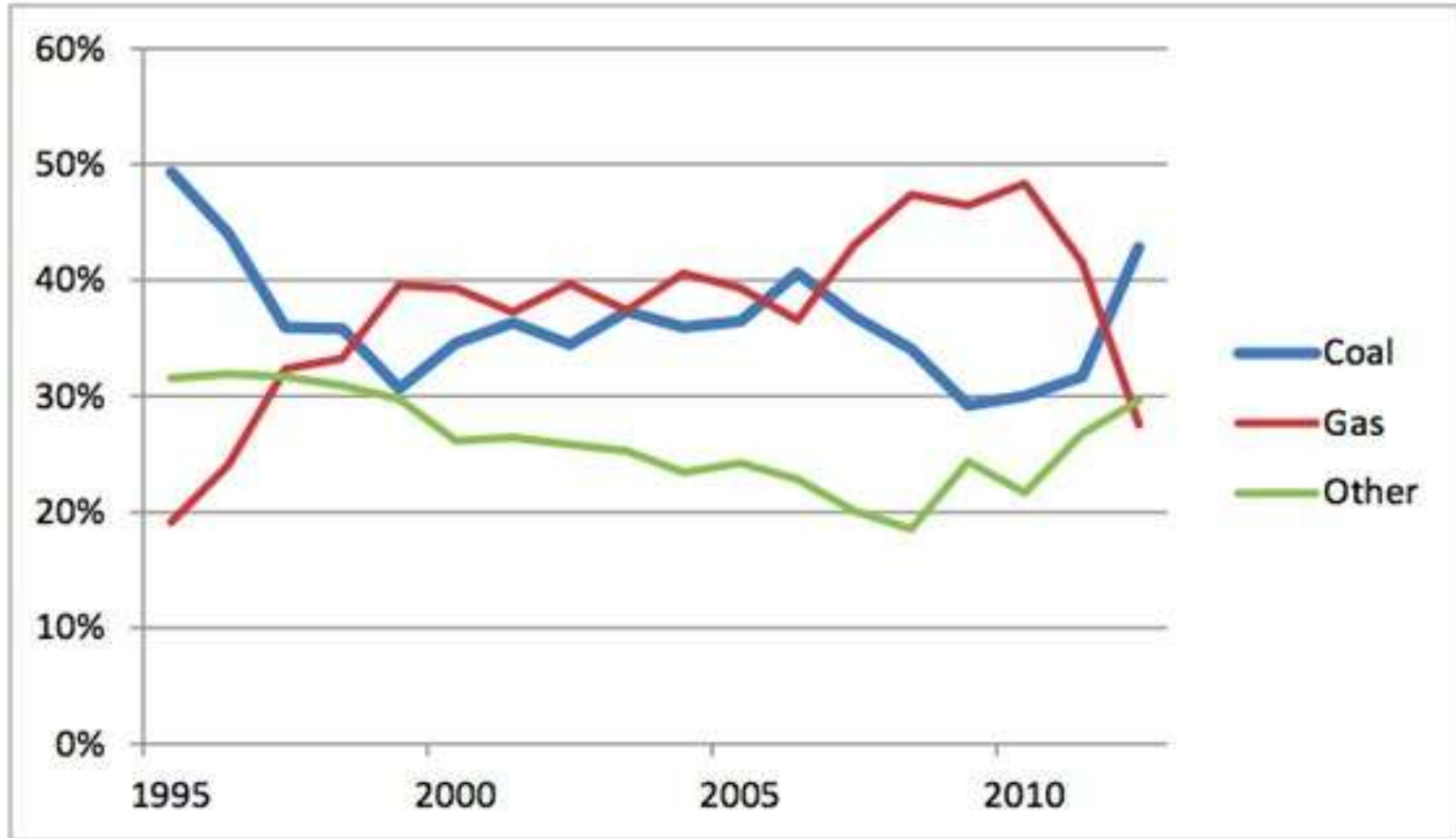
**Professor Russel Griggs OBE**

**Chair Regulatory Review Group**

**Co Chair Coal Task Force**

**R**egulatory  
**R**evision  
**G**roup

# Electricity - share of generation from major power producers



# Scottish Opencast Statistics

- **Scottish Output 2012 = 4.8 million tonnes (30% Of all UK coal and 48% of opencast). Will increase it's share.**
- **Total Scottish jobs = 4500 (1500 direct and 3000 indirect)**
- **Average Salaries of direct jobs = £42,049**
- **Contribution to Scottish economy = £450 million per annum (Coal Industry Estimate)**

# Scottish Opencast Statistics

<b>Council Area</b>	<b>Worth</b>	<b>Coal Jobs</b>
<b>East Ayrshire</b>	<b>£101 million</b>	<b>709</b>
<b>South Lanarkshire</b>	<b>£44 million</b>	<b>312</b>
<b>Fife</b>	<b>£21 million</b>	<b>147</b>
<b>Dumfries &amp; Galloway</b>	<b>£7 million</b>	<b>52</b>
<b>Clackmannanshire</b>	<b>£8.8 million</b>	<b>62</b>
<b>North Lanarkshire</b>	<b>£3 million</b>	<b>21</b>

# Scottish Opencast Statistics

- **Tonnage Remaining in operational Scottish mines = 13.5 million tonnes**
- **Mines approved but not started = 24.6 million tonnes**
- **Mines in planning = 3.2 million tonnes**
- **About to go into planning = 10 million tonnes**

**Therefore without any new sites being brought in – and there are still many potential sites out there – there are 10.7 years of coaling still on current sites.**

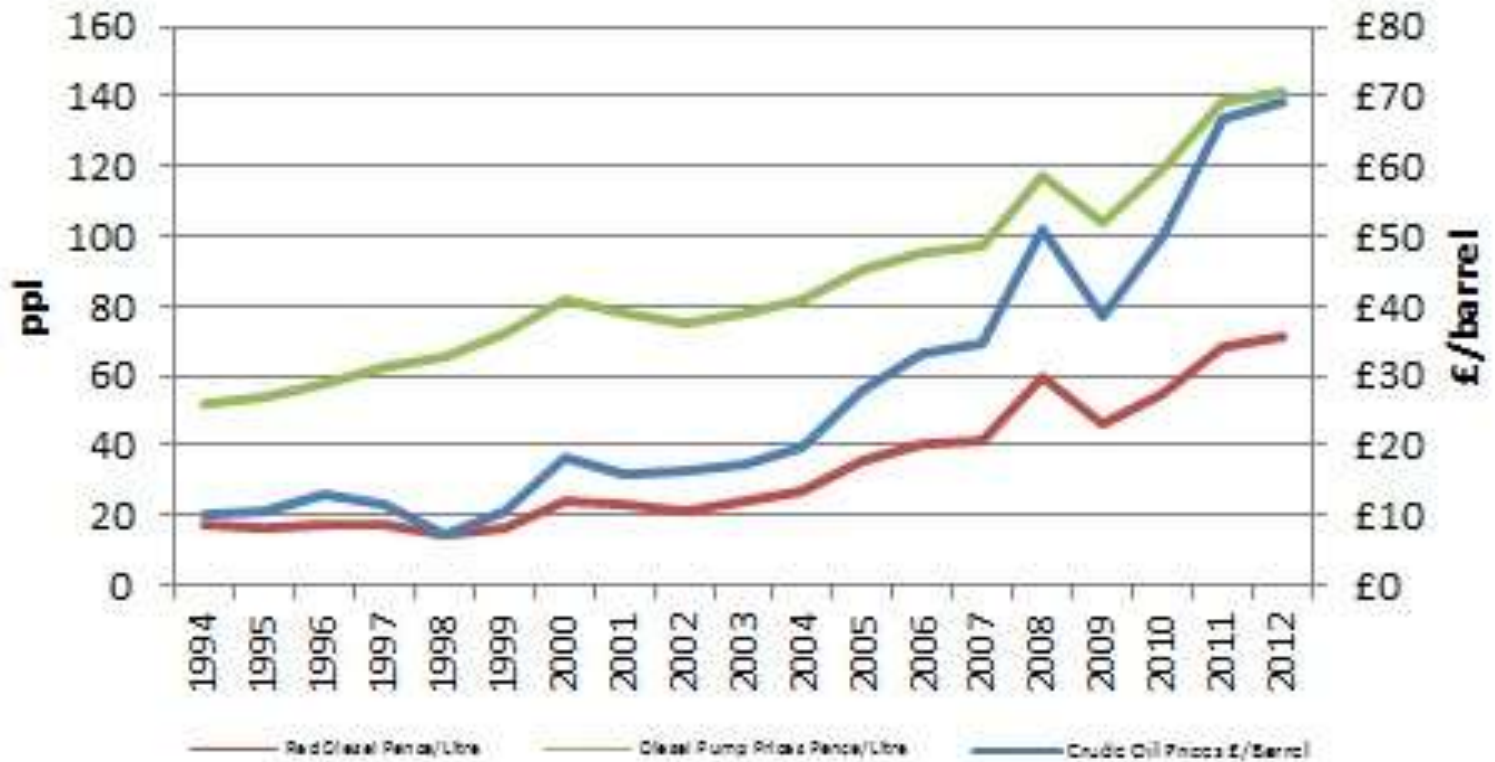
# Opencast Industry Challenges

- Coal Price – Coal price set internationally.

API#2: Argus/McCloskey



# Annual Fuel Trends



# Opencast Industry Challenges

- **Coal Price – Coal price set internationally. Fallen rapidly in last 3 years.**
- **Carbon Reductions Tax – unintended consequences of the above**
- **Office of Rail Regulator (ORR) – proposed increase of £4.04 per thousand gross tonne mile phased in from 2016.**
- **Increase in fuel prices.**
- **Restoration Bonds**



# Restoration Bonds

- **The main Scottish Council way of guaranteeing restoration. Not insisted on in England although used sometimes**
- **Restoration cost evaluated at the outset**
- **Bond supplied by large international insurers.**
- **Assessed on Companies ability to pay and Balance Sheet**
- **Seen as High Risk by insurers post the financial crisis**
- **Many different models and ways of calling them.**
- **Usually do not supply cash just a ring fenced fund to set invoices against.**
- **Tied to companies Balance Sheet if for default not insolvency i.e. the company is cross guaranteed to pay the money back to the insurer.**
- **Premiums between 1 1/2% and 2 ½% of value of bond.**

# **The Key Companies**

**Kier Mining – one large operational site in East Ayrshire with several mines on it. Part of large international business. 2 other mines on the same site approved but not started.**

**ATH – Was Aim listed company – now being restructured. 5 operational mines, 4 others approved and 1 in planning.**

**SRG – In liquidation and up for sale and restructuring – 10 operational mines, 7 others approved, 3 in planning**

**Hall Construction and Banks are the only other two large players but small in comparison**

# Challenges for Task Force

## Immediate

- Help resolve the challenges of the companies in liquidation or restructuring
- Retain as many jobs as Possible
- Help resolve legacy issue on coaled out sites

## Also Must be Resolved in coming months/years

- Help find a replacement for Restoration Bonds which allows Landowners and Councils to have assurance but allows contractors to coal.
- Stop the ORR introducing its increased payments which is expected to have a drastic effect on the coal industry in Scotland and all those involved in transporting it.
- Ensure that community benefit in all forms is protected

# Restoration of Previous Opencast Sites



**East Ayrshire, Garleffan** - acquired by operator as part of an asset purchase with restoration funding shortfall. Novel restoration scheme designed with input from statutory and environmental bodies. Final design reduced restoration task by 75%. Subsequently won an Environmental Award.

# Restoration of Previous Opencast Sites



**East Ayrshire, Hannahston, near Drongan** - unrestored site with restoration bond shortfall. Fully restored to Community Woodland using funds generated from grant of planning permission by the local council for a small housing development on neighbouring land.

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