Opportunities and constraints for gas in the European coal phase out

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European coal phase out is accelerating

At least half of the EU coal fleet will be affected by a policy-driven phase out; Policy action so far concentrated on Western and Northern Europe

Source: Deloitte European Electricity Model; IEA World Energy Outlook 2018
Coal phase out plans make a big difference on the EU level

Policy push to phase out coal accelerates decommissioning of European coal-fired capacity. On the EU level the phase out plans require replacement 40 GW of early closure coal capacity.
Gas plays an important role in replacing coal during the 2020s...

Significant additional gas capacity is needed in the coming decade; Edison’s Marghera CCGT investment decision is a start, but in many markets financial viability remains questionable.
...after 2030 the role of gas depends on climate policy ambition

**Installed gas-fired capacity in the European Union and utilisation of the gas fleet to 2040**

**Coal phase out scenario**

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Just a ‘golden decade’ of gas in Europe?

Gas can help to lower the CO2 emissions intensity as it displaces coal plants but after 2030 gas-fired electricity becomes too carbon intensive to be part of a long term solution.
Conclusions

1. With a series of recent policy advances the European coal phase out gathered momentum

2. There will be winners: gas-fired power plants will capture a larger market share whereas nuclear and renewables will receive higher prices

3. There will be losers: premature closure of (often quite new) coal plants will result in substantial foregone profits for the owners

4. A wave of new gas plant investments is needed to ensure adequacy but whether an economic or environmental business case exists is to be seen

5. Fair compensation and safeguards for a smooth phase-out are key in minimising economic disruptions
Thank you for your attention!

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