



EU rules for state aid support in the coal industry

11th Coal Dialogue

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* All views expressed are personal and do not
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Challenges for the EU coal sector

- Competitiveness threatened now and going forward
 - Production costs and difficult geological conditions
 - Low world coal prices and oversupply
 - Carbon pricing

- EU framework for state support aims at reconciling several objectives
 - Phasing out of Environmentally harmful subsidies & meeting climate targets
 - Environment protection and mitigation of social consequences
 - Security of supply



The EU framework for coal restructuring

➤ Instruments

- The **Council Decision of 10 December 2010** on State aid to facilitate closure of uncompetitive coal mines
- Electricity Directive in very specific circumstances

➤ But not

- Industrial Rescue & Restructuring Guidelines exclude coal sector
- Regional Aid Guidelines exclude aid to "firms in difficulties"

➤ And very challenging

- State intervention as market economy investor

The Council Decision – Nature & Rationale

➤ ***Council Decision of 10 December 2010 on State aid to facilitate closure of uncompetitive coal mines***

- A **temporary measure** intended to support the final stages of the long restructuring of the European hard coal industry, initiated in the late 1990s.
- Main purpose: **assist in the closure of uncompetitive hard coal mines** in order to mitigate the negative economic and social effects that such closures may entail.
- Two types of measures: **closure aid** and **aid for exceptional costs**
- **Requires irrevocable closure by 2018**

"The Union's policy of encouraging renewable energy sources and a sustainable and safe low-carbon economy does not justify the indefinite support for uncompetitive coal mines. The categories of aid ... should therefore not be continued indefinitely."

The Council Decision – Closure Aid (art.3)

➤ **Conditions**

- Downward trend towards closure by 2018 at the latest
- Cap = amount of aid granted to the coal sector in 2010
- $Aid \leq$ Foreseeable production costs - Foreseeable revenue for a coal year
- Aid must not cause prices for Union coal to be lower than those for coal of a similar quality from third countries.

➤ **Example - Closure aid to Hatfield coal mine (SA.40773)**

- Aid to cover production losses to be incurred in two coal years
- Definitive and irrevocable closure in 2016



The Council Decision – Exceptional costs (art.4)

➤ **Conditions**

- Aid to cover costs not related to current production
- Costs categories covered are exhaustively listed in Annex: social costs, rehabilitation costs
- NO CAP and aid also beyond the closure date

➤ **Example - Aid to cover exceptional costs for the closure of the Cigel lignite mining field (SA.39096)**

- Aid to cover exceptional expenditure on workers who have lost or who lose their jobs
- Additional underground safety work resulting from the closure of coal production units
- Costs of surface re-cultivation
- Definitive and irrevocable closure at the end of 2017



The Council Decision – Practical Application

- The Commission **insists** on:
 - The definitive and **irrevocable closure by 31 December 2018** of mining units benefiting from aid
 - Strict application of the ceilings for closure aid

- Flexibility within the limits of the decision
 - **Overall aid amount** in case no aid was granted in 2010
 - Starting point for the **downwards trend** in case no aid was granted in 2011
 - Coal year v. calendar year

Priority dispatch

- **Article 15 (4) of Directive 2009/72/EC** (the Electricity Directive)
 - Allows for the priority dispatch of electricity generated from indigenous coal

- **Conditions**
 - Maximum 15% of electricity consumption
 - There is a **genuine** security of supply issue
 - The measure is of **temporary** character

- **Example:** temporary authorisation of priority dispatch in Spain (2010); phased out in 2014



Conclusions

- The existing EU framework on aid to the coal industry ensures that mines in difficulty could receive support that :
 - guarantees an orderly phasing out;
 - mitigates some of the negative social and economic effects that such closures entail;
 - provides means to secure environmental safety of areas affected by mine closures

- It strikes a balance between the phasing out of environmental harmful subsidies, social considerations and security of supply

- It ensures equal treatment across Member States



Thank you for your attention

The Council Decision – More Examples of Approved Aid

Country	Case Number	Details	Decision Date	Type of aid
Czech Republic	SA.39570	Closure of the Paskov mine	12.02.2015	Exceptional costs
Germany	708/2007	Coal mine closure plan 2008-2018	07.12.2011	Closure aid and exceptional costs
Hungary	SA.33861	Aid to facilitate the closure of coal mines in Hungary	23.01.2013	Closure aid and exceptional costs
Italy	SA.20867	Aid to Carbosulcis S.p.a	01.10.2014	Closure aid
Poland	N575 (SA.24207)	Secteur du charbon 2008-2015	02.04.2008	Exceptional costs
	SA.33013	Coal plan for the period 2011 - 2015	23.11.2011	Exceptional costs
Romania	SA.33033	National Hard Coal Company Petroșani	22.02.2012	Closure aid and exceptional costs
Slovakia	SA.36565	Aid to cover exceptional costs of the mine of Baňa Dolina	22.05.2014	Exceptional costs
	SA.39096	Closure of the Cigel lignite mining field	19.11.2014	Exceptional costs
	SA.39486	Prolongation of aid to cover exceptional costs of the Baňa Dolina lignite mining field	24.10.2014	Exceptional costs
Slovenia	175/2010	Postponement of the closure of mine Trbovlje Hrastnik Ltd	29.06.2011	Exceptional costs
UK	SA.40773	Closure aid to Hatfield coal mine	11.03.2015	Closure aid and exceptional costs

➤ More information on:

http://ec.europa.eu/competition/elojade/isef/index.cfm?clear=1&policy_area_id=3