



MINUTES

17th EUROPEAN ROUND TABLE ON COAL ***Horizon 2020 – best use of fossil fuels*** **European Parliament (Brussels), 6 June 2012**

Participants numbered 54 and included:

Mr. Jan BŘEZINA MEP (EPP, CZE); Dr. Christian EHLER MEP (EPP, DEU) (chair); Mr. Bogdan MARCINKIEWICZ MEP (EPP, PLN); Ms. Jolanta Emilia HIBNER MEP (EPP, PLN); Mr. Salvador GARRIGA POLLEDO MEP (EPP, ESP); Ms. Inés ALAYA SENDER MEP (PES, ESP); and MEPs' assistants;

European Commission officials (Mr. Jan PANEK, Dr. Marion WILDE, Mr. Balázs JÓZSA, Mr. Borut LOZAR, Mr. Franco COZZANI and Mr. Wolfgang SCHNEIDER);

EESC Member Mr. Ludvík JÍROVEC;

six representatives from national and regional permanent representations to the EU;

EURACOAL President Dr.-Ing. Hartmuth ZEISS, committee chair Dr.-Ing. George MILOJCIC, members Dr. Lars KULIK, Ms. Mercedes MARTIN GONZALEZ and Mr. Semir MUKIC, Secretary-General, Mr. Brian RICKETTS and Ms. Gitta HULIK;

and other representatives from European industries, utilities and trade associations.

1. Introduction and welcoming remarks

The 17th meeting was hosted by Dr. Christian Ehler MEP and Mr. Bogdan Marcinkiewicz MEP with a welcome and introductions by Mr. Brian Ricketts of EURACOAL before Dr. Ehler took the chair.

2. On the Importance of including Flexible and Efficient Conventional Power Generation in the Horizon 2020 Framework Programme – Mr. Patrick Clerens, Secretary-General, EPPSA – European Power Plant Suppliers Association

Mr. Clerens stressed the need for more flexible, reliable and efficient conventional power plants in order to back up variable renewables, which by 2020 could provide up to 35% of our electricity. The size and the inherent flexibility of conventional plants will be crucial in ensuring the network's capacity to back-up the increasing share of renewables.

Existing conventional plants may be used only at one quarter or one half of their capacity. Such part-load running will reduce efficiency and generate higher emissions. To guide the necessary R&D, the EC Joint Research Centre published the *2011 Technology Map* for the SET-Plan, with a chapter focused on advanced fossil fuels power generation.

The Commission has since published its proposals for the Horizon 2020 R&D programme, including support for implementation of the SET-Plan. The proposals aim to reduce energy consumption and the carbon footprint of energy use through the promotion of renewables and CCS. Alternative fuels, smart grids, public engagement and market design are also addressed in the programme. Although there is no mention of R&D on fossil fuel technologies, this will be needed to support the flexibility and efficiency improvements (especially at part load) of thermal power plants. Mr. Clerens noted a clear inconsistency between the two strategic documents and advised that the EP takes action. He reported that the major European energy industry associations had signed a joint statement in which they proposed amendments to include research on flexible and efficient fossil fuel power plants.

Dr. Ehler expressed his thanks for this joint position and stated that amendments would be tabled and hopefully accepted by a majority during voting. He encouraged participants to comment constructively on the amendments by the end of June, before the voting. He expressed his feelings that even parties which were up to now opposed to fossil fuels had started to think about the financial impact of a green economy in the EU. Even the German "Sonderweg" could end given its impact on neighbouring economies.

3. Innovative Process Technologies for Refining Lignite: R&D needs – Prof. Dr.-Ing. Mathias Seitz, Hochschule Merseburg, for Innovative Braunkohlen Integration in Mitteldeutschland (IBI)

Prof. Seitz presented IBI (Innovative Lignite Integration in Central Germany) and a project designed to demonstrate the potential and advantages of the conversion of lignite into chemicals. Compared to gas and even to oil, lignite offers stable prices and added value in Europe. Current state-of-the-art technologies show that an integrated value chain results in greater benefits than a single conversion technology alone. Moreover, the conversion of lignite to chemicals also allows the integration of renewables – hydrogen produced using surplus renewable power can be stored safely in chemical intermediaries. For the conversion of lignite, Prof. Seitz explained that the direct CO₂ emissions are much higher than from natural gas. However, after analysing the total carbon footprint, including methane emissions, lignite is almost as good as gas and can ultimately achieve zero emissions using CCS and hydrogen from renewable sources.

The IBI value chain stretches from the extraction of lignite to processes such as the extraction of montan waxes, conversion to hydrocarbons or gasification to syngas. Using combined solutions, IBI can increase the efficiency of lignite use and considerably reduce emissions.

R&D at IBI needs further support: the value chain has to be enhanced further, the integration of renewables has to be demonstrated and the development of flexible power plants, gasifiers and downstream processes has to be supported. Thus, Prof. Seitz concluded that the Horizon 2020 programme should include the conversion of lignite.

4. Discussion & wrap-up with EURACOAL President Dr. Hartmuth Zeiss, Chairman of the Managing Directors, Vattenfall Europe Mining AG & Vattenfall Europe Generation AG

Dr. Zeiss began by saying that the expansion of a CO₂ infrastructure was essential for the deployment of new low-emission technologies. He recalled the failure of the Jämschwalde CCS project, which had to be stopped because of infrastructure problems. Dr. Zeiss nevertheless expressed his faith in new projects after 2020, when an infrastructure would be in place.

Dr. Zeiss expressed concern about the German “Sonderweg”. In 2011, there were 54 GW of installed wind and PV in Germany, that represented 32% of total installed capacity; yet, output from wind and PV was only 10-11% of the total. Coal and nuclear, by contrast, had a total installed capacity of 35%, but generated 61% of Germany’s electricity! Conventional power utilities must increase power plant efficiency and flexibility in order to respond to the needs of renewables. Measures such as energy storage and lignite drying also required further R&D. In 2011, Vattenfall faced several boiler maintenance problems, which caused temporary outages, because of increased renewables supply to the grid. These new problems, which are faced by all power generators, should be addressed in Horizon 2020 as part of a coherent low-emission energy strategy, Dr. Zeiss concluded.

Mr. Bogdan Janicki, representing CEEP, gave an overview about the situation in Poland, where some 30% of power plants need to be replaced. This could be done with highly efficient coal-fired power plants, that would immediately reduce CO₂ emissions, but developers are unable to raise finance. Banks need investment security which is impossible to deliver because of the uncertainty over the future evolution of CO₂ prices and indeed the uncertainty over future EU energy policy.

Dr. George Milojcic, speaking for EURACOAL, was convinced that the economic crisis will keep CO₂ prices down in the short-term. A single EU CO₂-cap will inevitably increase the CO₂ price beyond 2020, but even then, he saw infrastructure for transport and storage of CO₂ as a hedge against very high CO₂ prices. If it was in place by 2020, then CO₂ prices would stay reasonable – so CCS infrastructure should not be dropped during the debate on EU networks, he strongly advised.

Dr. Ehler summed up the discussion and invited, in particular, representatives from Poland to react to EU energy policies. With its growing economy, based essentially on coal, he suggested that Poland and others, including the Czech Republic, should raise their voices against the EU’s devastating energy policies which will have dramatic impacts on energy prices and even on entire economies. Governments should be mobilised and Poland should play a central role in the Council in order to adapt policies to economic realities, he added.

Responding to a question on the EU ETS and allowance set-aside proposals, Dr. Ehler said that, “the system would be out of control ... subject to an endless story of unpredictable interventions if the set-aside battle is lost”. Even some Greens, he said, are now hesitant about carbon policies, as they begin to appreciate the huge impacts on our economies.

Regarding Horizon 2020, Dr. Ehler was very confident of gaining a 2/3 majority in the Parliament for his amendments. He expected strong cross-party support and the rapporteur from the Socialists, Ms. Teresa Riera Madurell, supported this intention. Again, Dr. Ehler encouraged EURACOAL and others to comment on the Horizon 2020 proposals before the end of June.

Dr. Ehler proposed that the next Coal Round focuses on the EU ETS and on financial instruments under Horizon 2020 that lever private money for R&D support and even for pilot projects. Dr. Marion Wilde from the Commission added that strategic international co-operation with China, India, Australia and others could be discussed in the future, based on the EC communication on the external dimension of energy supply.

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Annexes: Presentations by Messrs. Clerens and Seitz.