

EURACOAL Position Paper

on State Aid for Coal

Coal: an important source of energy and added value in the EU

Taken together, hard coal and lignite provide the European Union with an important source of primary energy. A combination of indigenous production and imported coal ensures that coal supplies are secure, underpinning 30% of EU electricity generation. Employment in the coal mining sector is very significant, with the livelihoods of around 700 000 people depending on coal mining, including about 280 000 direct employees. The majority of hard coal and lignite production in EU Member States is fully competitive; ongoing efforts to reduce costs at the remaining uncompetitive mines could allow some to operate viably in the future. Coal mining therefore contributes significantly to the objectives of the European Strategy for Sustainable Jobs and Growth.

State aid to the EU coal industry

In some Member States (mostly in Germany, Poland, Romania and Spain), hard coal production is subsidised for a variety of reasons. The European Association for Coal and Lignite (EURACOAL) has not taken a position on this state aid because it falls within the national competencies of individual Member States.

Under the Lisbon Treaty, EU energy policy measures are subject to a shared competence between the Union and the Member States. However, Member States were careful to retain the right to determine the conditions for exploiting indigenous energy resources, the general structure of their energy supplies, and the mix between different energy sources.

In fact, aid to the EU hard coal industry is regulated by a sector-specific legal instrument: Council Regulation (EC) No. 1407/2002 of 23 July 2002 *on State aid to the coal industry* (the “Coal Regulation”) that expires on 31 December 2010. The European Commission reported on this instrument in 2007 in the *Commission Report on the Application of Council Regulation (EC) No. 1407/2002 on State Aid to the Coal Industry* (COM(2007) 253), following an open invitation to submit position papers in early 2006, to which individual members of EURACOAL responded, as did other stakeholders, including Member State governments. The European Commission conducted a further public consultation in 2009 on whether or not a state aid regime for the coal sector is

needed post 2010. Individual members of EURACOAL and other stakeholders again responded to this consultation. The governments of most coal-producing Member States and the Social Dialogue partners favoured either a prolongation of the current Coal Regulation or a new Regulation.

On 20 July 2010, the European Commission published its proposal for a Council Regulation “to facilitate the closure of uncompetitive coal mines” (COM(2010) 372), accompanied by an impact assessment (SEC(2010) 851). On the basis of Article 107 (3) (e) of the Treaty on the Functioning of the EU, the Commission proposes to allow Member States to grant closure aid for hard coal, providing any closure plan does not extend beyond 1 October 2014, as well as aid to cover certain exceptional costs.

EURACOAL position on state aid to the coal industry

EURACOAL acknowledges the desire to see state aid for coal end at a certain future date. However, the determination of this date should be decided by individual Member States, having regard to the social, economic and energy supply considerations within those countries. More broadly, in March 2009, the European Council called for the EU to make best use of its indigenous energy resources, including fossil fuels (7880/09, CONCL 1). A new Coal Regulation should have a flexible timeframe that allows individual Member States to respond with levels of support that are appropriate to their national circumstances, and may include degressive operating aid, investment aid, closure aid and aid to cover inherited liabilities and exceptional costs.

Finally, EURACOAL notes that regardless of any decisions taken on state aid to the coal industry, coal consumption in the EU will be largely determined by market forces, together with environmental and climate change policies associated with coal use. If indigenous production is not available, then coal users will simply turn to imported coal. EURACOAL therefore seeks assurances from the European Commission, the European Parliament and the European Council that they do not confuse a new Coal Regulation with EU environmental policies. A sector-specific regulation beyond 2010 is a political decision, it does not have any impact on the level of coal use in Member States or on emissions from coal use. It would allow Member States to determine their energy mix, to an extent, by balancing local coal production with coal imports. A Coal Regulation can have positive energy security benefits by maintaining access to coal reserves. A Coal Regulation avoids the social hardships that Member States seek to avoid during their coal industry restructuring programmes.

10 October 2010