EURACOAL
European Association for Coal and Lignite
AISBL

EURACOAL Position Paper

on Energy Roadmap 2050

This paper summarises EURACOAL's response to the communication *Energy Roadmap 2050*[1], published by the European Commission on 15 December 2011. The association's full response is published in the EURACOAL Annual Report 2011. All five decarbonisation scenarios presented in the *Energy Roadmap 2050* reflect the political aspiration to reduce GHG emissions by 80% to 95% in 2050. By not expressing a preference for any particular scenario, the Commission is sending a clear signal to Member States that national political preferences on energy mixes will be decisive. **This is a welcome outcome.**

Energy Prices

EURACOAL supports the European Council's conclusions of 4 February 2011: "the EU needs to ensure safe, secure, sustainable and affordable energy that contributes to Europe's competitiveness." These are the cornerstones of a sound energy policy. In this respect, EURACOAL welcomes the Commission's observation in its roadmap: "Coal in the EU adds to a diversified energy portfolio and contributes to security of supply." Yet, coal use is projected to halve by 2030 and fall by over 90% in 2050, depending on the uptake of CCS. **EURACOAL finds this projected fall in coal use to be unrealistic given that coal remains a cost-competitive fuel in the Commission's fuel price assumptions for imported coal and given the competitiveness and price stability of indigenous coal.**

Carbon Prices

Under all five decarbonisation scenarios, a high carbon price is assumed, growing to between €234/tCO_2 and €310/tCO_2 in 2050. It is, of course, impossible to predict future carbon prices: unlike natural resources, where the long-run marginal cost of their extraction can give a proxy for price, carbon markets are an artificial construct and subject to political interference. However, EURACOAL cannot understand why such high carbon prices are assumed, because we already have carbon abatement technologies today that can deliver large-scale reductions at far lower costs (*e.g.* €40/tCO_2 to €80/tCO_2 in the case of CCS). **The high carbon price is not plausible and would lead to an untenable increase in energy prices.**

Energy Efficiency

On energy efficiency, the Commission anticipates a doubling in the rate of annual average improvement from 1.4% (1990-2005) to 2.5% or even to 2.7% in the high-energy efficiency scenario.

[1] COM(2011) 885/2

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It is hard to imagine this taking place without major structural changes to the EU's industrial base and **EURACOAL is concerned that more of Europe's energy-intensive industries will relocate outside of the EU**.

Energy Mix

Oil, natural gas, coal, nuclear and renewables figure in each of the scenarios, albeit in different proportions, thus allowing Member States to pursue different energy mixes, assuming a well-connected internal market that reduces the risks of supply disruptions. **EURACOAL fully supports the Commission's proposal to look at different electricity market models so that flexible and backup generation receives a proper return on investment.**

Energy Security and Competitiveness

The roadmap focuses almost uniquely on the EU's goal of decarbonising energy supply and largely neglects the other key objectives of energy security and competiveness. The assumption that the EU can afford an ever-rising energy bill has to be challenged. If rising energy prices strangle economic growth and tightening carbon targets destroy jobs in industry, then the Commission's analysis offers little in terms of prosperity. **Maximising the value of the EU's indigenous coal and lignite reserves should, EURACOAL believes, be a Commission priority.** As well as the direct wealth creation from coal- and lignite-supply chains, their exploitation provides competitive energy for all industrial sectors.

Unilateral Climate Action

There are risks associated with unilateral climate action by the EU. Indeed, the roadmap expresses concern about a loss of competitiveness and carbon leakage if the EU acts alone: "The opportunities for trade and cooperation will require a level-playing field beyond the European borders.'' To avoid carbon leakage, **EURACOAL supports the argument made by the Commission that certain industrial sectors should continue to benefit from free carbon emission allowances based on benchmarks**.

The roadmap notes that, regardless of global action:

1. The EU must, in any case, invest to replace its ageing energy system.
2. The scenarios presented would attract investment into the EU.
3. The EU can gain early mover advantage.
4. Import dependence can be reduced.
5. There are co-benefits of reduced air pollution and better health.

EURACOAL notes that there can be no certainty that all these outcomes will actually occur or that their value will justify the cost of unilateral action by the EU.

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A Holistic "Plan B"

The Commission's "Plan B", if there is no global climate agreement, leads to border taxes and damaging trade wars. In its final report, the independent advisory group appointed by the Commission asks that the EU makes clear whether its unilateral CO_2 reduction targets are unconditional and so "trump" all other objectives. If so, they recommend that measures to ensure security and protect competitiveness are laid out. The group challenges the EU's climate policy, with its focus only on Member States' CO_2 emissions, noting the EU's rising carbon footprint as it imports ever more goods and services from beyond its borders. **EURACOAL recommends that the Commission addresses this good advice on unilateral action by taking into account life-cycle analysis in its decisions-making process.**

March 2012

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