

EURACOAL Position Paper

proposed amendments to the draft ITRE committee report on European Energy Security Strategy (2014/2153(INI), rapporteur: MEP Algirdas Saudargas)

Introduction

The widespread modernisation of Europe's coal-fired power plants offers a low-cost route to greenhouse gas emission reductions through improved efficiency. Other co-benefits include cleaner plants with lower emissions of conventional pollutants. Perhaps one of the most important benefits that comes from the modernisation of coal-fired power plants is the avoidance of a further "dash for gas" that would be neither affordable nor strategically desirable. Energy supply is closely entwined with current global tensions and the EU needs to think carefully about how it invests for the future.¹

At the end of this paper, EURACOAL proposes some amendments to the ITRE committee's draft report on energy security so that the report better recognises the role of coal.

Explanatory Statement

Coal will remain an absolutely indispensable backbone of electricity and heat systems in many Member States. It is one of the most reliable energy sources for Europe and without it there is no real *European Energy Security*.

Too often, we see coal being ignored, despite its role in human development. The EU is preparing one of the most important strategies for Europe, yet neglects one of our most important indigenous resources as if in some parallel reality. This leads to a big question: can *European Energy Security* be achieved without coal? The answer is very simple – no! Some may turn a blind eye, but the facts are there – coal and lignite represent a significant share of electricity generation in several Member States and about 27% at the EU level. Therefore, a more productive approach would be to start a discussion on coal and decide how it should be developed. This is the approach EURACOAL calls for in its "Action Plan for Coal in the 21st Century".²

¹ "Why less climate ambition would delivers more for the EU", EURACOAL Position Paper, October 2014.

² "An Action Plan for Coal in the 21st Century", presented by EURACOAL at the 23rd European Roundtable on Coal in the European Parliament, 19 March 2014 (www.euracoal.org/pages/medien.php?idpage=1471)

EURACOAL stands for the modernisation and renewal of the energy sector for the benefit of European citizens.³ We believe that a clean, competitive and secure energy supply matters. In Europe, we have enjoyed many years with relatively reliable and abundant energy. In the case of coal, we benefit from indigenous production in eleven Member States and all Member States import coal from a diversified international market.

Despite this significant role – crucial in some countries – coal is often ignored or referred to obliquely as “solid fuels”. We appreciate that coal brings climate policy challenges and so the Commission links its long-term future with carbon capture and storage (CCS). In the meantime, we need to make the most of what we have. For Europe, that means our vast coal and lignite reserves: we have enough for the next 130 years. The efficiency of power stations has improved steadily over the years – a trend that can continue in the future. Higher efficiency means higher productivity which is the only way for Europe to remain competitive. It also means substantially lower CO₂ emissions.

As a very competitive source of energy, coal ensures true competition in the electricity market. Unlike gas prices, the price of coal is set transparently with many supply options, both indigenous and imported. Moreover, the IEA states that coal will remain very competitive and its use will grow around the world. In some EU Member States, it will remain an absolutely indispensable backbone of electricity and heat systems for many decades to come. The Commission has it within its powers to change the storyline and explain that the economic and security benefits of coal are more compelling than any perceived benefits of imported gas. A growing share of renewables with flexible, more efficient coal plants offers real energy security at an affordable price. This is especially so given the current crises on the EU’s borders that create tensions in global politics and bring back memories of the cold geopolitical atmosphere of 25 years ago.

The coal industry offers therefore one of the most attractive solutions to Europe’s energy problems.⁴ For this reason, it deserves a position in the *European Energy Security* debate, a position that reflects the attractiveness of its offer. That means at least an equal treatment compared with other fuels, technologies and solutions. There should be no discrimination against coal and none of the censorship that was witnessed during *European Energy Security* conferences organised by the Commission in May and November 2014, and during debates on energy security.

There are several main economic, technology and public policy issues to consider when reconciling the two divergent coal narratives today. These were emphasised at a recent conference, “Revisiting the Role of Coal: Competitiveness, Climate, and Security” organised

³ *A Strategy for Clean Coal: a pragmatic 3-step strategy for a cleaner more prosperous future*, EURACOAL, November 2012.

⁴ *Coal: Fuel for the 21st Century*, EURACOAL, December 2014.

by the Center for Strategic and International Studies (CSIS) and the US National Security Program in December 2014.⁵ Among the conclusions were:

- Coal will be the dominant fuel used in electricity generation for years to come.
- Global coal demand will grow 2.1 percent per year through 2019.⁶
- Coal is forecasted to account for 38% of global electricity generation in 2040.⁷

The question then is not about whether to continue using coal, but how to make it compatible with international and national climate goals. The Commission communication on *European Energy Security* states: “The EU needs, therefore, a hard-headed strategy for energy security which promotes resilience to these shocks and disruptions to energy supplies in the short term and reduced dependency on particular fuels, energy supply and routes in the long-term.”⁸ At a time when much oil and gas come from regions suffering from instability and conflict, coal and lignite offer secure energy in Europe, at relatively stable prices and are a key part of Europe’s indigenous energy supply. EURACOAL hopes that the challenges of energy security in Europe will be tackled in a way that values the contribution of each energy source to Europe’s energy mix. In the case of coal, it is simply too important to ignore.

For the ITRE report under preparation by MEP Saudargas on the European Energy Security Strategy, EURACOAL proposes the following amendments.

Proposed amendments to the draft motion for a European Parliament resolution on European Energy Security Strategy (2014/2153(INI), rapporteur: MEP Algirdas Saudargas

| | |
|--|---|
| After recital G, add new recital | “whereas one of the most important benefits that comes from the modernisation of coal-fired power plants is the avoidance of a further “dash for gas” that would be neither affordable nor strategically desirable.” |
| “Towards a European Energy Union” Paragraph 6 | Change “decarbonisation” to “lower CO ₂ emissions”. Whilst the EU could contemplate replacing coal with more expensive natural gas, such a move would make the region uncompetitive and contribute little or nothing to solving the climate challenge at the global level. It would put Europe at a greater risk in terms of its energy security. |

⁵ “Coal in the Mix: Challenges and Opportunities for the Future use of Coal”, Center for Strategic and International Studies (<http://csis.org/event/revisiting-role-coal-competitiveness-climate-and-security> and <http://csis.org/publication/coal-mix-challenges-and-opportunities-future-use-coal>).

⁶ *IEA Medium-Term Coal Market Review 2014*, International Energy Agency, OECD, Paris

⁷ *EIA Annual Energy Outlook 2014*, US Energy Information Administration, Washington DC.

⁸ COM(2014)0330

| | |
|---|--|
| <p>“Increasing indigenous energy production” Paragraph 17</p> | <p>Add: “Coal has remained a competitive and reliable resource and is freely traded on the international market. As a partner for renewables, coal- and gas-fired power plants are equally as flexible, but using coal is cheaper and more secure.”</p> |
| <p>“Developing energy technologies” Paragraph 27</p> | <p>Where the report states that, “it is necessary to develop new energy technologies”, it should be kept in mind that marrying the continued use of coal with the need to reduce emissions can be achieved by improving the efficiency of Europe’s older coal-fired power plants where emissions of CO₂ can be reduced by 30% or more. EURACOAL estimates that the total annual investment needed is between €5 and €10 billion across the EU, vastly lower than any alternative and with no hike in energy prices. A more progressive policy on power plant modernisation and renewal could deliver emission reductions at a lower cost to society, demonstrate global leadership and crucially, avoid the risk of an over-dependence on imported natural gas which appears to be the default option for future power generation in many Member States, despite it not being a secure or sustainable solution.</p> |

20 January 2015