

# INFORSE-EUROPE

International Network for Sustainable Energy

Response of International Network for Sustainable Energy – Europe (INFORSE-Europe) to EU "Consultation on the aftermath of the expiry of Regulation (EC) No 1407/2002 on State aid to the coal industry" 15/7 2009

## General Questions

*Q1. How do stakeholders evaluate the impact of the expiry of the Coal Regulation on the hard coal industry? Would general State aid rules be sufficient or are there sector-specific needs, related to objectives of common interest for the Community, that call for sector-specific rules beyond 2010? In how far does the hard coal sector differ from the ortho-lignite sector for which there are no specific rules?*

ANSWER: INFORSE-Europe finds that the operational aid to coal mines will keep a number of coal mines operational that would otherwise be closed. If they were closed the energy they produced would be replaced with other forms of energy, initially probably imported coal, but then later increasingly natural gas and renewable energy. Thus, ending the operational subsidies will be an environmental benefit in the medium term

Therefore, INFORSE-Europe is in general in favour of ending operational aid to coal mines and let the state aid to coal mines be guided by the general EU regulation of state-aid. For Poland, however, where subsidised coal plays an economic role on the national level, there is a need for a sufficiently long transition period.

*Q2. Are there specific objectives of common interest for the Community which may justify maintaining afloat coal mining undertakings which would not otherwise be viable due the level of their production costs or of their social and environmental liabilities?*

ANSWER: No, we do not find it necessary to maintain these mining operations, but favour a managed phase-out instead; in the case of Poland with a sufficiently long transition period. Subsidies should primarily be used to bring to market energy sources that do not have damaging climate impacts.

## Questions on a more specific level:

*Q3. Is there a specific need, related to objectives of common interest for the Community, for investment aid in hard coal mining that goes beyond the possibilities offered by general State aid rules?*

ANSWER: No, not in our view. We propose that the aid is used instead for indigenous resources of renewable energy and for energy efficiency that can replace the reduced coal production.

*Q4. Is there a specific need for operating aid in hard coal mining that goes beyond the possibilities offered by general State aid rules? Should (phasing-out) operating aid be allowed in the context of a closure plan and, if yes, why and for how long? Which concerns related to objectives of common interest for the Community may justify such aid?*

ANSWER: We believe that aid for closing down coal mines should primarily be in the form of specific support to solve environmental and social problems related with the closure, including retraining of staff.

*Q5. In how far are related industries, such as mining and clean coal technologies, sensitive to further downsizing of hard coal mining activities in the EU? In how far would they be affected by the expiry of the Coal Regulation? What are the alternatives for these industries in the case of closures of hard coal mines in the EU due to the cessation of certain types of State aid?*

ANSWER: We find that the industries related to power production have good possibilities to change to other forms of power production, including renewable energy based power production. As mentioned above, in Poland there will be needed some time for a transition, as have previous been the case for other EU countries.

We also find that coal subsidies should not be changed to subsidies for Carbon Capture and Storage (CCS) which is a new way of subsidising coal use. In addition to the high costs of CCS and high energy consumption, the geological formations suitable for CCS is limited and should not be used up with CO<sub>2</sub> from coal.

*Q6. Do you consider that security of energy supplies may justify maintaining sector-specific types of State aid for the coal mining sector? In particular, is there a risk that EU power generators using coal may face difficulties to source coal at an affordable price if certain EU mines are closed due to the cessation of certain types of sector-specific State aid for the coal mining industry? Can power generators using subsidized coal easily switch to alternative sources of coal (whether from other EU Member States or from outside the EU)?*

ANSWER: We do not find that security of supply issues justifies operational aid for coal mines. Logically the energy users should pay a higher for the energy, if no options exists at the same price than the subsidized coal, instead of using tax-payers money to get energy at a subsidized price. In the theoretical situation where a power generator cannot shift to alternatives, this generator would then pay the full, unsubsidized price for the coal. In practice some transition period might be needed, but we only see the possible need for future operational subsidies in Poland.

*Q7. Is there a justification to grant coal mining undertakings derogation from the general State aid rules with regard to generated liabilities, taking into account the "polluter pays" principle? Would they cope with their environmental obligations in the absence of sector-specific State aid rules?*

ANSWER: This is only justified for closed coal mines that do not generate a revenue from coal production anymore and therefore might not be able to cannot meet liabilities. They should, however, in general meet post-closure liabilities with funds established during operation.

*Q8. Can coal mining undertakings cope with their inherited social liabilities in the absence of sector-specific State aid rules?*

ANSWER: In general yes, but there can be exceptions.

*Q9. Regarding the improvement of social and regional cohesion, would subsidies to coal industries be a cost-effective and sustainable way to create or maintain jobs?*

ANSWER: No. Subsidies to coal mines that produce some of the fuels with the worst effects on climate and environment is not a sustainable ways to create or maintain jobs.

*Q10. Is State aid an appropriate instrument to deal with the social and environmental consequences of coal mine closures, in particular when it entails maintaining production activities which would not be otherwise viable? Could equivalent results with less distortions of competition be achieved if the coal mining companies were made to honour their liabilities to the extent possible and if the State financed the remaining social and environmental charges once the concerned companies have ceased all economic activities?*

We do not find that operational state aid is an appropriate instrument to deal with problems of coal mines. We believe that the social and environmental problems could better be solved by subsidies after coal mining is phased out. This does not necessarily mean that the mining companies have ceased all economic activities: the mining companies could still have other economic activities, e.g. selling of collected mine-gas, activities related to land use.

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These comments are sent on **15 July 2009** to: [TREN-COAL-CONSULTATION@ec.europa.eu](mailto:TREN-COAL-CONSULTATION@ec.europa.eu)

Please do not hesitate to contact INFORSE-Europe for any clarifications or questions needed for this response.

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