State aid and Coal-to-Clean Transitions:
Where are we today?
What are the challenges ahead?

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The cost of fossil subsidies – OECD – 2019

- Estimates of combined fossil fuel subsidies in the EU range from €39 billion to over €200 billion per annum. Lack of coherence between the EU's energy and climate mitigation
- The International Energy Agency (IEA) targets phasing out fossil fuel subsidies as one of four policies to keep the world on track for the 2 degree global warming target at no net economic cost. It has estimated that even a partial phase-out by 2020 would reduce greenhouse gas (GHG) emissions by 360 million tonnes, which equates to 12% of the reduction in GHG needed to hold a temperature rise to 2 degrees.

The cost of fossil subsidies – OECD – 2019

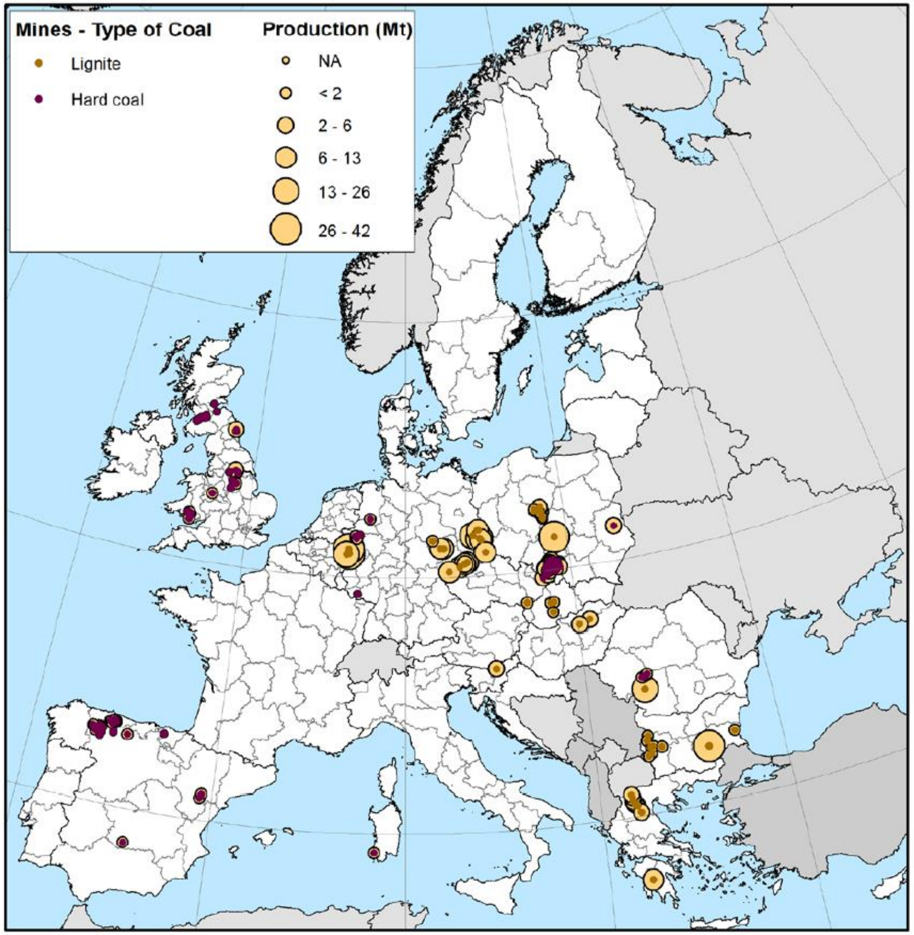
- Fossil fuel subsidies creating a burden on government budgets, reducing or inefficiently allocating resources that could be put to more sustainable use within the economy; decreasing the competitiveness of key industries, including low-carbon businesses, by discouraging investment in renewable energy and energy efficiency, hindering the transition toward a climate-resilient economy; compromising energy security (compared to subsidising alternatives such as renewables and energy efficiency); damaging public health by increasing air pollution; and negating carbon price signals.

- According to the IMF, when the costs of climate change, local air pollution, congestion, accidents and road damage are included in the calculated subsidies for fossil fuels (which are not included in the OECD and IMF estimates), the global cost to society was estimated to reach USD 5.3 trillion in 2015.

The EU's Assembly of Regional and Local Representatives

- Coal is currently still mined in 41 regions at NUTS-2 level in 12 Member States (including in the United Kingdom).
- “These regions will have to, to a large extent, abandon current value chains based on coal production or set them on a new foundation. In addition, in the short, medium and long term they also have to close coal mines (open cast and underground)”

Coal mines in the EU in 2018 – lignite and hard coal



Coal and jobs in the EU (EU Commission 2018)

Country	Jobs in Coal power plants	Jobs in Coal mines	Total jobs
Austria	500	0	500
Bulgaria	2700	11800	14500
Croatia	300	0	300
Czech Republic	3600	18000	21600
Denmark	1100	0	1100
Finland	1200	0	1200
France	600	0	600
Germany	11000	24800	35700
Greece	1700	5000	6600
Hungary	900	1600	2500
Ireland	400	0	400
Italy	2400	400	2800
Netherlands	1000	0	1000
Poland	13500	99600	113000
Portugal	700	0	700
Romania	3600	15100	18600
Slovakia	700	2200	2900
Slovenia	600	1300	1900
Spain	3400	3400	6700
Sweden	200	0	200
United Kingdom	4200	2000	6200

Apart from United Kingdom and Spain, coal transition is mostly a central European issue

EC Report on Coal Regions 2018

- European Commission's 2018 report on EU coal regions, coal provides 16 % of EU energy consumption and about 24 % of the power generation mix. Main applications of coal include heating in buildings, energy and material production in industry, and power generation (combined production of electricity and heat, and/or production of heat for district heating).
- Nine Member States make marginal or no use of coal in power generation, but in others coal use is much higher than the EU average. For instance, Poland generates almost 80 % of electricity from coal, while four other countries generate at least 40 % (Czech Rep, Bulgaria, Germany and Greece).

EC Report on Coal Regions 2018

- In2015, there were about 128 coal mines in 12 Member States (41 regions at NUTS-2 level) and 207 coal power plants in 21 Member States (103 NUTS-2 regions).
- The largest number of coal mines is in Poland (35), followed by Spain (26), Germany and Bulgaria (12 each). Between 2014 and 2017, 27 mines were closed across Czech Republic, Germany, Hungary, Poland

Phase out planning of coal use in MS(EC) 2019

Member States Phase-Out

France (by 2022)
Italy (by 2025)
UK (by 2025),
Finland (by 2030, potentially 2025)
Netherlands (by 2030)
Portugal (by 2030),
Sweden utilities have announced closures of all coal capacity by 2022
Austria utilities have announced closures of all coal capacity by 2025
Belgium (as of today)
Denmark (by 2030)
Germany (by 2038)

In January 2019, Spain and Germany closed almost all of their remaining coal mines, to comply with State aid decision of the Commission. Poland also closed several coal mines at this occasion.

EU Commission 2019 estimate

Opportunities and challenges ahead

- €379 billion investments needed annually in 2020-2030 period to deliver on climate and energy objectives.
- Around 900,000 job creation potential, but also a challenge for some.
- 10 Member States have recently committed or announced plans to phase-out coal use
- Coal activities of the energy sector provide jobs to about 240,000 people in the EU: about 180,000 are employed in the mining of coal and lignite and about 60,000 in coal and lignite-fired power plants

Commission objective: no region should be left behind

The Slogan – Winter Package

- 2016: Package aims "at stepping up EU's action in removing inefficient fossil fuel subsidies in line with international commitments under G7 and G20 and in the Paris Agreement. The remaining but still significant public support for oil, coal and other carbon-intensive fuels continues to distort the energy market, creates economic inefficiency and inhibits investment in the clean energy transition and innovation. The market design reform is removing priority dispatch for coal, gas and peat and will limit the need for capacity mechanisms which often relied on coal. The Commission will also establish regular monitoring of fossil fuel subsidies in the EU and expects Member States to use their energy and climate plans to monitor the phase-out of fossil fuel subsidies. The Commission will carry out a REFIT evaluation of the EU framework for energy taxation in order to define possible next steps also in the context of the efforts to remove fossil fuel subsidies."
- http://eur-lex.europa.eu/resource.html?uri=cellar:fa6ea15b-b7b0-11e6-9e3c-01aa75ed71a1.0001.02/DOC_1&format=PDF
- EC: 2016 €7 bn subsidies to coal and lignite in 2016 alone

The current pathway towards Just transition in Coal

- Europe's fossil fuel-dependent regions could benefit from an additional €5 billion under the next EU budget, thanks to a proposal endorsed by the European Parliament. But it could complicate already complex talks with the Council, which is eager to cut future spending.
- On 5 November 2018, the Parliament's budgets committee signed off on a proposal allocating €4.8 billion for an Energy Transition Fund (ETF) to help regions green their economies.
- Negotiations are still ongoing on the multiannual financial framework (MFF) for 2021-2027, following the European Commission's May proposal but MEPs have already called on the EU executive to propose a new regulation that will establish the fund.

April 2019 EC - Fourth report on the State of the Energy Union (I)

- The initiative for coal and carbon-intensive regions in transition helps mitigate the social consequences of the low-carbon transition. There are currently 41 coal regions across 12 Member States that still provide around 185 000 jobs in coal extraction. The European Commission is helping these regions to draw up low-carbon transition strategies that address the potentially negative socioeconomic impacts in two ways, outlined below.

April 2019 EC - Fourth report on the State of the Energy Union (II)

- Firstly, the European Commission has created an open platform that brings together all affected stakeholders (national, regional and local governments; businesses; civil society organisations; etc.) to exchange best practices, foster peer learning, and receive information on EU support instruments that are available.
- Secondly, the European Commission provides tailored support, either in the form of operational country teams or bilateral discussions with Commission experts. This support can help national and regional authorities to identify ways to start and lead the transition. This support is accompanied by existing EU funds, financing tools, and programmes. 18 regions in 8 Member States are currently benefiting from this support. Early experience shows that regional transition needs to be planned with the broad support of all involved

Benefitting regions for just transition

- Trenčín (SK), Silesia, Lower Silesia and Greater Poland (PL),
- Western Macedonia (EL),
- Jiu Valley (RO),
- Moravskoslezský, Karlovarský and Ústecký (CZ),
- Aragón, Asturias and Castilla y León (ES),
- Savinja and Zasavje (SI)
- Saxony, Saxony-Anhalt, Brandenburg, NordRhein Westphalen (DE)

A mixed bag – Subsidies too high and taxes too low

- Council Decision 2010/787/EU, published OJ L 336 , 21.12.2010, p. 24-29. stipulates the phase out of state aid to the production of coal from uncompetitive mines by the end of 2018
- "However there has been strong political opposition to closure of uncompetitive mines in both Spain and Poland and it is possible that the end of 2018 deadline may be extended." (EU Parliament, 2018)
- OECD calls Europe and ist MS to issue higher CO2 taxes:
- OECD showed that coal taxes are few and far between, even though the fossil fuel accounts for nearly 50% of carbon emissions in the 42 countries that were studied. In only five EU countries does coal taxation exceed €5 per tCO2. https://read.oecd-ilibrary.org/taxation/taxing-energy-use-2018_9789264289635-en#page48

Thank you very much for your attention.

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