

State aid and compensation for closing coal plants

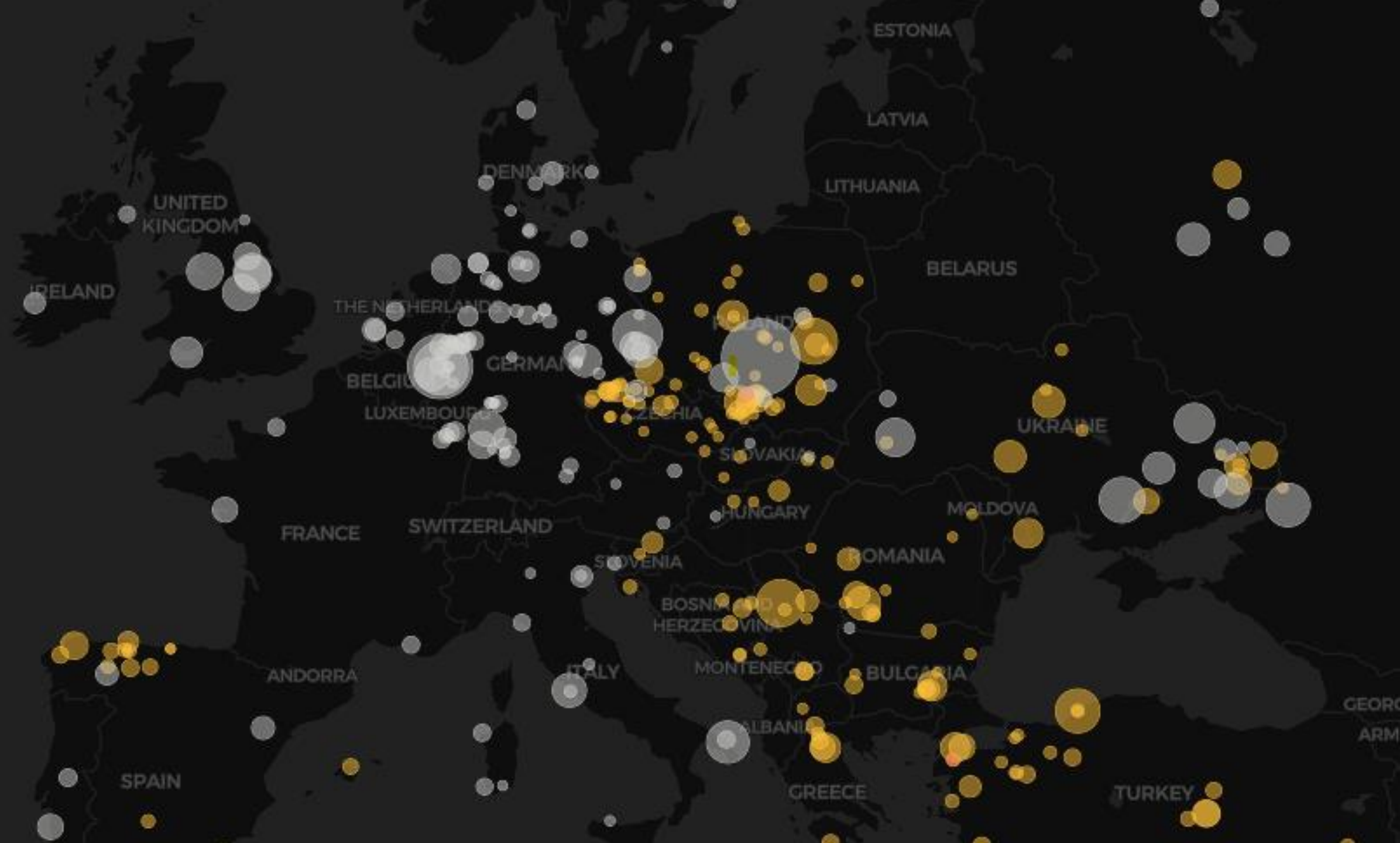
Sam Bright

Energy Lawyer, Coal Lead

ClientEarth

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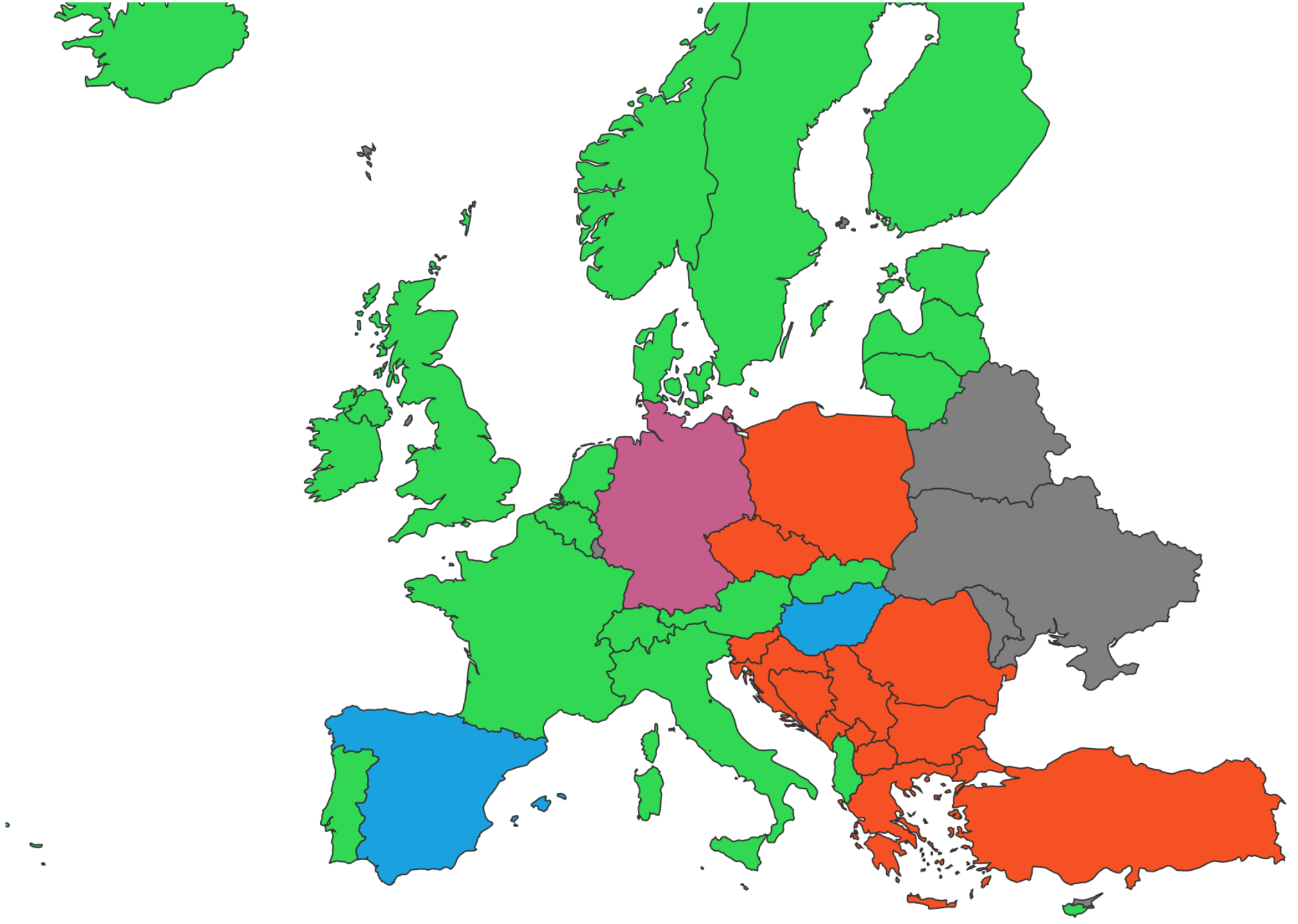




Germany – big compensation demands

- Coal Commission – recommends:
 - 2018-2022: agree compensation to close 5GW lignite (negotiations) / 7.7GW hard coal (tenders)
 - 2023-2030: agree compensation to reduce to 9GW lignite (negotiations) / 8GW hard coal (draft law: until 2026 - tenders, from 2027 still to be defined)
 - After 2030: remaining 17GW closes, no compensation specified
- Industry demands huge sums – RWE: **€1.2bn-€1.5bn per GW**

...can they justify €20bn for RWE / €70bn for German coal fleet?



Is compensation a State aid?

- Is it a **State aid**?
- Main question – does it confer an advantage?
 - *Asteris*: compensation for government damage does not confer advantage
- German Constitution – Article 14(1) – redefinitions of property rights require compensation only for '**undue hardship**', e.g.:
 - Investment not recouped
 - Expectation of future profits
 - Operator could expect unchanged regulatory framework at time of investment
- Likely to be a State aid for many / most plants

Would this State aid be compatible?

- Assessed under Article 107(3)(c) – the usual 6 criteria – some doubts:
 - Objective of common interest: CO₂ / air pollution reduction (no doubt)
 - Necessity: economics could force out before 2030?
 - Appropriateness of compensation: not needed in other countries? Other options?
 - Incentive effect: economics could force out before 2030?
 - Proportionality: limit to minimum – net extra cost of early closure likely to be low
 - Effects on competition / trade: possible to replace coal at low cost – limited impacts
- Might be compatible – but serious analysis required, doubts

Alternatives

- Pay only strict minimum compensation required by national laws
- Focus support on just transition
- Council Decision similar to hard coal mines decision – aid linked to approved categories tied to 2030 closure

A photograph of several wind turbines against a sunset sky. The sky transitions from a deep blue at the top to a warm orange and red near the horizon. The turbines are silhouetted against the sky, with some showing a slight glow from the setting sun.

Thank you

Sam Bright

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SBright@clientearth.org



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