

## EURACOAL Response to Public Consultation

### on the proposal for a regulation to establish the Just Transition Fund

A Just Transition Fund is very much needed if the EU, with the agreement of member states and the European Parliament, is to complete the huge transformation to a climate-neutral continent. Under the European Green Deal, many member states need to make great changes to their economies as they are no longer viable under current EU rules for energy systems and the even greater efforts envisaged in light of more ambitious climate targets for 2030. Investments will be required and so the European Association for Coal and Lignite (EURACOAL) welcomes, in principle, the proposals contained in the European Commission's communication of 14 January 2020 for a Just Transition Fund (COM(2020) 22 final). The promise of linking the new fund to existing Structural Funds as part of a Just Transition Mechanism to lever €30 billion or even €50 billion of investment is especially welcome. In this respect, public consultation on the proposed amendments to the Common Provisions Regulation is perhaps even more important than this consultation on the Just Transition Fund.



### 1. Focus on the regions that are really affected

As supporters of the Coal Regions in Transition initiative of the European Commission, members of EURACOAL likewise insist that the energy transition is fair and based on solidarity, leaving no one behind and not impoverishing those regions where many livelihoods depend on coal. Here, it is important to note that the list of 108 coal regions eligible for support includes regions with little or no connection to coal and omits regions with coal mines, power plants or heating/CHP plants where unemployment can be significantly above average, such as the Ruhr and Saar regions of Germany, the Lubelski region of Poland and Varna province in Bulgaria (European Semester 2020 Country Report Annex D, Overview of Investment Guidance on the Just Transition Fund 2021-2027 per Member State). However, we note that the eligibility analysis by the Commission services is stated to be “preliminary”, so these omissions can be corrected to ensure that no regions are left behind which is the Commission's aim.

## 2. A fund with enough firepower

The Just Transition Fund is a necessary support measure for a journey which is going to be both costly and difficult in the time available. Therefore, EURACOAL believes that the fund must be backed with a larger budget. The proposed €7.5 billion is really only a fraction of what will be needed. For example, in Germany, the government has agreed to support the transition away from coal with a €40 billion allocation to federal states with coal regions. This will allow regions to prepare for deep, structural change, creating new jobs where old ones are lost. In Poland, the cost of transforming just one company – the largest hard coal producer – is estimated at €44 billion. The European Commission should reflect on the true size of the challenge that lies ahead and ensure that the necessary investment requirements match its policies. Greater financial firepower will be required, dedicated to transforming the coal sector rather than merely an extension of the Structural Funds and Cohesion Fund. This particularly applies in view of the stark contrast between increased ambitions and investment resources: on the one hand, according to the European Commission’s assessment, achieving the *current* 2030 climate and energy targets will require a “yearly additional investment of around EUR 260 billion” (COM(2019) 285); on the other hand, the European Green Deal Investment Plan (EGDIP) or Sustainable Europe Investment Plan (SEIP) will generate, in a best-case scenario, only €100 billion *per annum* for the even more ambitious 2030 targets that may be proposed later in 2020.

## 3. Capitalise on existing value chains

EURACOAL strongly recommends, having in mind the dilution of funds proposed across all 27 member states and across many industrial sectors, to prioritise the coal regions with coal mines, power plants or heating/CHP plants as these will be the ones most affected by the transition. Here, the full extent of the coal industry value chain should be appreciated. Assets, infrastructure and especially human capital linked to the coal industry cannot simply disappear without replacement. New economic activities must be created, building on the assets, skills and knowledge that the coal regions have at their disposal. The de-industrialisation of these regions is not an option. Large coal mining and energy utility companies have always supported the development of local communities and those represented by EURACOAL want to continue in this role by gradually diversifying their activities to establish new jobs in new industrial activities. For example, former miners and power plant technicians are highly skilled in the operation and maintenance of any equipment. At the same time, these companies have land holdings that allow them to invest in renewable energy sources such as solar photovoltaic parks or wind farms, not to mention the geothermal potential of former mine workings. These companies should be included in the transition, not as a remote stakeholder, but as a strong partner in Territorial Just Transition Plans that deliver results in co-operation with the regional authorities. These plans cannot ignore post-mining tasks related to the rehabilitation of former coal mine and power station sites and other inherited liabilities, some of which will continue in perpetuity. Here, it is justifiable that the companies and regional authorities who bear the cost of these tasks receive specific support for this aspect of the transition.

#### 4. Allow the fund to be fully levered

The question of state aid intensity should not be ignored. The Just Transition Fund is not a regular structural fund based on regional policy rules. It exists in response to issues arising from the energy transition, so the need for a strong energy component cannot be overlooked. Thus, EURACOAL supports the suggestion, already raised by many stakeholders, to follow the lead of the European Investment Bank which allows lending up to 75% of an energy project's value in its recently revised lending policy. Higher intensities of state aid should now be considered by the EU. This would allow the European Commission to lever a much greater impact in the coal regions and so help deliver a popular transition.

#### 5. Solve state-aid issues

Finally, member states that choose to provide state aid for the closure of coal mines or coal power, heating or CHP plants, for example to compensate operators for foregone profits where they cannot continue to extract coal or sell electricity on the market, should not be prevented by state aid rules designed for fair market competition. The energy transition is not market driven, so these rules are no longer appropriate. However, EURACOAL agrees that member states should demonstrate any compensation is proportionate and does not go beyond the loss of profit and additional costs faced by power plant or mine owners due to any premature closures. Any state aid which is not related to an economic activity, in particular aid for early retirements or reskilling, or aid to finance public infrastructure, should also continue to be permitted.



12 March 2020