EU rules for state aid support in the coal industry

11th Coal Dialogue

Céline GAUER*
European Commission
DG Competition
Director - Energy and environment
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* All views expressed are personal and do not commit the European Commission
Challenges for the EU coal sector

- Competitiveness threatened now and going forward
  - Production costs and difficult geological conditions
  - Low world coal prices and oversupply
  - Carbon pricing

- EU framework for state support aims at reconciling several objectives
  - Phasing out of Environmentally harmful subsidies & meeting climate targets
  - Environment protection and mitigation of social consequences
  - Security of supply
The EU framework for coal restructuring

- **Instruments**
  - The *Council Decision of 10 December 2010* on State aid to facilitate closure of uncompetitive coal mines
  - Electricity Directive in very specific circumstances

- **But not**
  - Industrial Rescue & Restructuring Guidelines exclude coal sector
  - Regional Aid Guidelines exclude aid to "firms in difficulties"

- **And very challenging**
  - State intervention as market economy investor
The Council Decision – Nature & Rationale

- **Council Decision of 10 December 2010 on State aid to facilitate closure of uncompetitive coal mines**

  - A **temporary measure** intended to support the final stages of the long restructuring of the European hard coal industry, initiated in the late 1990s.

  - Main purpose: **assist in the closure of uncompetitive hard coal mines** in order to mitigate the negative economic and social effects that such closures may entail.

  - Two types of measures: **closure aid** and **aid for exceptional costs**

  - Requires irrevocable closure by 2018

"The Union´s policy of encouraging renewable energy sources and a sustainable and safe low-carbon economy does not justify the indefinite support for uncompetitive coal mines. The categories of aid … should therefore not be continued indefinitely."
The Council Decision – Closure Aid (art.3)

- **Conditions**
  - Downward trend towards closure by 2018 at the latest
  - Cap = amount of aid granted to the coal sector in 2010
  - Aid ≤ Foreseeable production costs - Foreseeable revenue for a coal year
  - Aid must not cause prices for Union coal to be lower than those for coal of a similar quality from third countries.

- **Example - Closure aid to Hatfield coal mine (SA.40773)**
  - Aid to cover production losses to be incurred in two coal years
  - Definitive and irrevocable closure in 2016
The Council Decision – Exceptional costs (art.4)

- **Conditions**
  - Aid to cover costs not related to current production
  - Costs categories covered are *exhaustively* listed in Annex: social costs, rehabilitation costs
  - NO CAP and aid also beyond the closure date

- **Example - Aid to cover exceptional costs for the closure of the Cigel lignite mining field (SA.39096)**
  - Aid to cover exceptional expenditure on workers who have lost or who lose their jobs
  - Additional underground safety work resulting from the closure of coal production units
  - Costs of surface re-cultivation
  - Definitive and irrevocable closure at the end of 2017
The Council Decision – Practical Application

The Commission **insists** on:

- The definitive and **irrevocable closure by 31 December 2018** of mining units benefiting from aid
- Strict application of the ceilings for closure aid

Flexibility within the limits of the decision

- **Overall aid amount** in case no aid was granted in 2010
- Starting point for the **downwards trend** in case no aid was granted in 2011
- Coal year v. calendar year
Priority dispatch

- **Article 15 (4) of Directive 2009/72/EC** (the Electricity Directive)
  - Allows for the priority dispatch of electricity generated from indigenous coal

- **Conditions**
  - Maximum 15% of electricity consumption
  - There is a **genuine** security of supply issue
  - The measure is of **temporary** character

- **Example:** temporary authorisation of priority dispatch in Spain (2010); phased out in 2014
Conclusions

- The existing EU framework on aid to the coal industry ensures that mines in difficulty could receive support that:
  - guarantees an orderly phasing out;
  - mitigates some of the negative social and economic effects that such closures entail;
  - provides means to secure environmental safety of areas affected by mine closures

- It strikes a balance between the phasing out of environmental harmful subsidies, social considerations and security of supply

- It ensures equal treatment across Member States
Thank you for your attention
The Council Decision – More Examples of Approved Aid

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