



MINUTES **20th EUROPEAN ROUND TABLE ON COAL**

Members' Salon, European Parliament (Brussels), 23 April 2013

Participants included:

Dr. Christian Ehler (EPP, DE) (chair), Mr. Roger Helmer (EFD, UK), Mr. Bogdan Marcinkiewicz (EPP, PL) and MEPs' assistants; Ilinka Balan, Balazs Jozsa, Jörg Köhli, Michal Tratkowski, Dr. Marion Wilde and Torsten Wöllert from the European Commission; EURACOAL and CEEP members; NGOs and other stakeholders.

1. Introduction and welcoming remarks

Dr. Ehler opened with a reflection on the evolution of EU energy policy over the last five years, especially the Climate and Energy Package of 2008 with its 20-20-20 targets which followed a tough negotiation to reach an acceptable compromise for all Member States. During these five years, energy prices in the EU increased considerably, making Europe one of the most expensive industrial locations in the world, with a growing share of subsidised renewable energies that have priority feed-in and an incomplete internal energy market that mean we struggle to become internationally competitive.

Although Europe is losing its technological leadership in the field of CCS and even renewable technologies, the Commission is up at the front of the climate battle, calling for the entire world to follow its policy to implement binding targets.

With the recent vote in Parliament on the back-loading of ETS allowance auctioning, MEPs showed that they no longer agree with the Commission's climate policies. Discussions in the Council may be different and MEPs will be able to maintain their opposition only with the support of Member States.

2. "EURACOAL response to the European Commission's Green Paper on a 2030 framework for climate and energy policies" – Mr. Paweł Smoleń, EURACOAL President and Vice President of the Management Board for Operations, PGE Polska Grupa Energetyczna S.A.

EURACOAL President Smoleń thanked all those MEPs who voted against back-loading, and thus, in favour of European industry. With climate change, Europe needs a new vision that reflects EU citizens' opinion: this does not always support an EU climate and energy policy that is imposing costs but with no tangible environmental benefits. The three pillars of EU climate and energy policy (competitiveness, security of energy supply and sustainability)

should therefore be better balanced. There is no use penalising the energy industry if electricity costs become unaffordable and if developing countries take advantage of Europe's carbon leakage, adding considerably to climate change with their high emissions.

What Europe needs is a market for low-carbon technologies that does not favour particular technologies. The target is to reduce carbon emissions at the lowest possible cost to society and phasing out renewable energy subsidies will be a part of that process.

EURACOAL therefore calls for support for all low-carbon technologies and recalls that renewables need to be an integral part of the energy market, alongside other low-carbon options such as CO₂ capture and storage. The EU ETS remains the best approach. If policy makers agree on long-term targets, investors will be able to make a judgment about the value of allowance certificates.

EURACOAL presents its clean coal strategy as a solution to keep coal in the energy mix in a sustainable way. The modernisation of existing power plants and the construction of new state-of-the-art power plants would enable the coal industry to contribute significantly to climate protection with short-term, medium-term and long-term emission reductions. Replacing old power plants with new ones can reduce emissions by one third or more. Further R&D is needed to ensure Europe maintains its world-leading performance tomorrow.

Finally, for the day after tomorrow, we need to demonstrate and deploy CO₂ capture and storage at coal-fired power stations around the world. Between the Kyoto Protocol baseline year of 1990 and 2010, global emissions increased by a massive 46% whilst over the same period, CO₂ emissions from the EU have been largely stable and, at 13%, account for a relatively small share of the global total. In addition, EU climate policies provoke carbon leakage which even adds to the increase in emissions and climate change, although EU climate policies should prevent climate change.

Addressing the EC Green Paper, EURACOAL calls for a long-term, stable policy framework which would allow a variety of no-regrets investments. There is no proof that the promotion of low-carbon technologies will move the EU towards a competitive economy with a secure energy system. Indeed, it might be that jobs and growth are put at risk precisely because the EU promotes an expensive energy system. EURACOAL therefore calls on the Commission to respect Member States' choice of energy mix and use of indigenous energy resources. The Internal energy market will become more important and EURACOAL supports an open market in which coal can compete, not a market that is rigged or subject to political interference. Energy security and competitiveness are major concerns: existing coal-fired plants provide a solid base. Modernisation to improve efficiency and flexibility is therefore a key factor. CCS is a major issue for Europe – a new approach is needed that separates the capture – transport – storage steps to reduce the complexity of project. A CCS infrastructure would move projects forward. The ETS should remain the central plank of EU energy and climate policy, but the scheme needs to be reviewed to make low-carbon projects of all types “investable”, based on a long-term carbon price signal.

3. “Planned investments in new hard coal mines and coal-fired power plants in Poland: energy security, energy efficiency and low emissions for the long term” – Dr. Filip Grzegorzczak, Acting Director for Energy Development, Kompania Węglowa S.A.

Dr. Grzegorzczak showed that global energy demand will rise in future and that dependency on imported fossil fuels in the EU will rise. Poland is therefore choosing the right path in developing its coal industry. In 2011, almost 90% of electricity production in Poland was from coal and lignite. Estimates show that steam coal demand will further increase by 2030 and Kompania Węglowa takes advantage of this situation by developing its activities. The company’s annual production capacity is about 40 million tonnes with some 60 000 people employed. Over the last years, the company rationalised its production costs and repaid more than 88% of liabilities inherited from the past coal companies which were transformed and merged as KW S.A.

The company’s intention is to develop a coal-fired power plant with the highest possible energy efficiency and a new hard coal mine in the Lublin coal basin in order to contribute to an domestic energy supply. It would be insane to implement radical changes in the fuel mix in the short-term. Nevertheless, an immediate problem is old, low-efficiency power plants which will have to be replaced in the years to come. Significant funds will be needed for the development of new and/or modernised power plants. It is planned to complete a 1 000 MW power plant at Ruch II mine by 2019, with a production capacity of 5-7 TWh per year and a coal consumption of some 2.5-3.5 Mt. Investment costs are estimated at €1.5 bn.

Kompania Węglowa S.A. is investing in the unexploited coal deposits of the Lublin coal basin that has very favourable geological structures resulting in low costs and less risks for miners. It is an opportunity to build a mine with modern technological solutions and providing high output with low operational costs, comparable to those at “Bogdanka” mine.

To sum up, it can be said that steam coal demand will increase by 2030 to a maximum level of 40 Mt. According to forecasts, 98 TWh of Poland’s electricity will be generated by hard coal in 2030, 43 TWh from lignite, 21 TWh from RES and 13 TWh from gas. Even though international hard coal prices have fallen, they remain relatively high, but compared with gas, coal-based electricity is significantly cheaper and would be even at carbon prices up to €37-40/tCO₂.

4. Discussion & wrap-up

In the discussion that followed, participants agreed that EU climate and energy policy is terrifying. Despite massive job losses and billions invested in intermittent renewables, few in Europe seem concerned. It is questionable if an international agreement will be signed in 2015 and whether China and India will follow the EU’s emission reduction targets.

MEP Roger Helmer spoke of how the EU had simply “offshored” its jobs and emissions – on a consumption basis, EU CO₂ emissions have not fallen, but continue to rise. He questioned the effectiveness of the German renewables push and EU climate policy in general which

seems to have little to do with any climate threat. He predicted the democratic forces would sweep away ill-conceived policies.

Bogdan Janicki, representing CEEP, saw a competitive threat not only from China, but also from the USA which enjoys cheaper energy (but much higher per capita CO₂ emissions) than the EU. Whilst sceptical about the UK's approach, he suggested that Germany's programme to build new coal-fired power plants was a model to follow given the 30% or more reduction in CO₂ emissions compared to the old plants that they replace. Gunnar Jungk of ThyssenKrupp AG called for a debate on a 2030 policy framework that recognised the reality of industry's contribution to wealth creation.

On the ETS, Dr. Ehler stressed that several MEPs voted against their national governments and even their own parties to defend national and regional interests. He paid tribute to MEP Marcinkiewicz who had worked very effectively with his Polish colleagues in the Parliament. A coherent set of policy instruments is urgently needed, but how to reconcile national energy policies and interests with an integrated EU energy market? We must foster competitiveness. We cannot let our industry relocate to China or rely on cheap American coal overflowing into our energy market. A fair effort sharing between Member States is needed and industry must convince Council that a technology free approach is needed, even in the field of R&D. If Europe loses its leadership in technology, Europe's industry will definitely disappear. The discussion and the consultation on the Green Paper must lead to substantial talks within the Parliament and the Commission in order to change opinions. Here, Dr. Ehler called on industry to be active in these discussions, as well as the more immediate challenge of ensuring that conventional energy technology forms a key part of the Horizon 2020 programme. He singled out particular Member States who needed to give this their proper attention and asked industry to make this a priority over the coming weeks.