EUROPEAN ROUND TABLE on COAL

EURACOAL

European Association for Coal and Lignite AISBL

MINUTES
21st EUROPEAN ROUND TABLE ON COAL
"Intelligent Coal Mining: corporate and R&D strategies to 2020 and beyond"

European Parliament (Brussels), 24 September 2013

Participants included:

Dr. Christian Ehler (EPP, DE), Chair; Arkadiusz Tomasz Bratkowski (EPP, PL); Vicky Ford (ECR, UK); Lena Kolarska-Bobinska (EPP, PL); Antonio Masip Hidalgo (S&D, ES); Ines Ayala-Sender (S&D, ES) and MEPs' assistants;

European Commission officials Alan Haigh, Małgorzata Kicia and Murad Wisniewski, officials from Member State permanent representations, EURACOAL members and representatives from industry including Mr. Zbigniew Stopa, President and Mr. Roger de Bazelaire, Vice-President, Lubelski Węgiel „BOGDANKA" S.A., representatives from academia and NGOs.

Summary

The 21st European Round Table on Coal focussed on "intelligent coal mining". LW „Bogdanka" operates Poland's most modern coal mine with an annual output of almost 8 million tonnes or about 14% of indigenous steam coal production and with a productivity that is three times higher than the country's average. The company plans to increase output to 11.5 million tonnes, placing it among the largest underground coal mines in the world. To achieve such results, coal-related research is vital. Appropriately, the 10-year Monitoring and Assessment Report of the European Commission's Research fund for Coal and Steel (RFCS) illustrates the benefits, including economic ones, of coal and steel research. Other funds such as Horizon 2020 and the EU Structural Funds are also available for research and for implementing new technologies.

1. Introduction and welcoming remarks by the chair

In his introduction, **Dr. Christian Ehler** addressed the recent Green Paper on climate and energy policies to 2030 and the related CCS communication which acknowledges the important role of coal in an increasingly volatile system of distributed, renewable electricity production. Coal can serve in the important base load and flexibility markets, thereby balancing climate protection, energy security and competitiveness targets.

Europe is still the third largest coal-consuming region. Coal contributes not only to EU energy supply but also creates regional wealth and employment in many European countries. As an example, Dr. Ehler mentioned Lusatia (Lausitz) in southeast Brandenburg which was a rather structurally deficient region, but also one of the three large lignite-producing areas of Germany (lignite resources amount to 12.1 billion tonnes) with four surface mines and three large power plants. Lignite is a key driver of economic progress in the region.

At the heart of European integration, coal research was and will continue to be supported. Coal research under the ECSC which expired in 2002 was replaced by the Research Fund for Coal and Steel, providing some EUR 55 million each year of which approximately EUR 15 million is earmarked for coal research. Additionally, about EUR 800 million are allocated from the Horizon 2020 budget to projects in the field of non-nuclear, non-alternative energy research, including coal with a focus on CCS and CCU technologies. Nevertheless, improved flexibility and efficiency at coal-fired power plants must also be a priority. European mining technology still dominates the world market and with the rapidly increasing use of coal in Asia, European businesses can help build low-carbon and sustainable growth in emerging economies.

Beyond the Horizon 2020 budget for research, the EU now offers the possibility for industry, via the Structural Funds, to implement research results. Unfortunately too many Member States are badly informed about these funds and their possibilities are not fully exploited. Dr. Ehler therefore encouraged the coal industry to explore all avenues.

2. Doubling output from the Lublin coal basin to power Poland from Europe's biggest underground coal mine – *Mr. Zbigniew Stopa, President of the Management Board and Mr. Roger de Bazelaire, Vice-President, Lubelski Węgiel „BOGDANKA" S.A.*

Roger de Bazelaire, Vice President of the Management Board, LW „BOGDANKA" recalled that Poland was Europe's biggest coal producer and user, with a share of coal in electricity production of almost 90%. Coal was mainly produced in the Silesian region around Katowice (around 85% of total production), the rest in the rural region of Lublin.

LW „BOGDANKA" is one of the largest steam coal producers and operates Poland's most efficient and most advanced coal mine. The company, listed on the Warsaw Stock Exchange since June 2009, produced 7.78 million tonnes of coal in 2012 – a 14% share of total indigenous steam coal production. Productivity at Bogdanka mine is approximately three times higher than the Polish average. The mine creates jobs and wealth in the region and local people are very supportive of a mine that provides jobs, to entire families in some cases.

The strategy of the company is to achieve an annual production of 11.5 Mt by 2014 to become one of Poland's leading fuel suppliers to power plants. The operating life of the mine is expected to extend until at least 2050, provided that there is a stable demand for hard coal for primary energy needs of about 35 million tonnes per year between 2013 and 2020, representing some 82 TWh of coal-based electricity production. It is expected that gas-fired electricity will remain more expensive and that shale gas will not play any significant role up to 2020. Another growth opportunity for the Polish coal market will be the development of coal gasification and other new low-emission technologies.

In the long-term, the company intends to invest in sustainable growth to maintain its competitive advantages and keep its position as the leader in efficient and innovative technological solutions – in summary, "intelligent mining". Bogdanka mine is clearly at the forefront of Polish coal mining and the company's intention is to serve as a model for the state-owned mines which will also have to become more productive. Another key priority is safety at coal mines and Bogdanka has developed a unique location system to continuously pin point staff underground.

The average age of Polish power plants is about 30 years and modernisation is urgently needed. It will nevertheless be a challenge for the Polish government to design an adequate long-term energy strategy with such a high coal-share in electricity production while, at the same time, meeting Poland's long-term climate targets. Unfortunately the economic situation in most Member States is not very favourable for investments in the energy market and new opportunities must be created to incentivise investors.

Brian Ricketts (EURACOAL) asked who the future customers for the coal would be once production has increased. Restructuring of the coal mining industry in the Silesian region was part of the answer since it is to be expected that unprofitable mines will be closed in the medium-term, creating a gap, which would then be filled with coal from Bogdanka.

Bogdan Janicki (CEEP) noted that carbon leakage was already happening across Europe such that the EU was now only responsible for 11% of global CO_2 emissions, yet consumption of industrial goods was growing. He observed that investment in new coal-fired plants was occurring in some countries, but rarely in Central and Eastern Europe, despite a clear need.

Dr. Christian Ehler acknowledged that the legal framework for coal exploitation in the EU was challenging compared with many other regions of the world and that it was time to discuss the strategic needs of coal whilst developing CCS for the long term. Under the EU ETS, coal can still be burnt and is doing well with the lower-than-expected allowance prices. The most important point that everyone should acknowledge is that the EU's CO_2 emissions are falling and will continue to fall under the ever-lower ETS cap.

Concerning CCS and a question from Ignacio Trabadela (University of Edinburgh), there were two strategic problems which impeded its deployment: first the lack of implementation at Member State level and second the lacking support of efficiency improvements, which was a prerequisite to develop CCS. If power plant efficiency were to be increased across the EU, then CO_2 emissions would fall. Politicians must stop believing in European leadership: countries such as Japan have already today much higher efficiencies than the EU. CCS will not happen in an unfavourable economic environment, especially if CCS considerably lowers efficiency. Maybe industry should consider more the possibilities of CCU, where there is potential to be exploited and where CO_2 would have an economic value instead of being treated as waste.

3. Ten Years of Successful Coal R&D in the EU: monitoring and assessment of the RFCS programme - *Mr. Alan Haigh, Head of Unit, Research Fund for Coal and Steel, DG Research & Innovation, European Commission*

Alan Haigh, Head of the RFCS Unit at DG Research & Innovation, presented the results of the first 10 years of the RFCS, a residual fund from the ECSC Treaty allocated by DG ECFIN to the RFCS since 2002. According to a protocol to the Treaty establishing the European Community, the money was exclusively allocated to coal and steel research and has to remain in a separate fund, without any possibility of it being integrated into another research fund such as Horizon 2020 because the money came not from public taxes but from past levies collected from industry.

The annual EUR 55 million budget of the RFCS is allocated 72% to steel and 28% to coal. Fifty grant agreements are funded every year and there are currently some 350 ongoing projects. Coal-related projects are divided into mining, conversion and combustion, with the aim of improving the sector's competitiveness and working conditions as well as supporting the development of new technologies. The RFCS celebrated its 10^{th} anniversary in 2012 and a Monitoring and Assessment Report was published on the same day as the Coal Round Table in order to present the benefits of completed projects. The report assessed 198 projects which had been funded between 2003 and 2010, of which 78 were identified as promising for evaluation of benefits. An in-depth assessment of 46 projects was carried out, of which 23 were selected as presenting measureable economic benefits. Based on reasonable assumptions, it can be calculated that each EUR 1 of RFCS funding turned into EUR 3.3 per year of benefits. The top benefits identified are:

- development of new knowledge, training and education;
- enhancement of European competitiveness and economic benefits;
- environmental benefit, sustainability (use of coal and steel);
- development of new applications and new market share; and
- improvement of health, safety and working conditions.

Among those Member States that have received funding, Germany is at the top, followed by the UK, Spain, Poland, Italy and France. The individual success stories can be downloaded from the CORDIS website under: http://cordis.europa.eu/coal-steel-rtd/home_en.html where the Monitoring and Assessment Report can also be found.

4. Discussion & wrap-up

Dr. Ehler encouraged industry to benefit from this very specific research fund where some 34% of project proposals received funding, which was a high success rate. He stressed once more the importance of using the research money from the Horizon 2020 budget and from the Structural Funds to modernise Europe's coal industry. **Ines Ayala-Sender** proposed that industry should meet DGs Energy, RTD, REGIO and Enterprise in order to ask them how they plan to spend research monies, in order to have a certain influence over the budget allocation. **Dr. Ehler** again invited the coal industry to follow the way money for research was spent and also the money which was allocated to the regions. The Round Table on Coal could be a forum for the coal regions to explain how they use EU money and if they are willing to invest it in to coal-related projects.

Brian Ricketts spoke on behalf of **EURACOAL President, Mr. Paweł Smoleń,** who sent his apologies having just taken up post as First VP of the Management Board at TF Kable, an important supplier to the mining industry. He thanked Dr. Ehler and congratulated Bogdanka on their progress in maximising indigenous production in Poland in the face of an expected rise in imports. With often unfavourable EU and national policies towards coal – and the recent decisions by the World Bank and European Investment Bank to restrict lending to coal-related projects – investment in new coal-fired power plants had become very political: projects would only proceed with supportive governments. Two new plants were under construction in the Netherlands and more in Germany, but not in Southeast Europe, despite a desperate need to improve efficiency and grow economies using indigenous energy resources. He called for visionary leadership coupled with technological development. On the latter, the RFCS would remain important to EURACOAL members.

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Annexes: Presentations by Messrs. de Bazelaire and Haigh.