



MINUTES
25th EUROPEAN ROUND TABLE ON COAL
“The Energy Union – What will Europe’s energy future look like?”

European Parliament (Brussels), Altiero Spinelli ASP 5F385 2 June 2015

Participants (51) included:

Dr. Christian EHLER (EPP, DE) and Prof. Jerzy BUZEK (EPP, PL) (co-chairs), Mr. Marek GRÓBARCZYK (ECR, PL), Mr. Evžen TOŠENOVSKÝ (ECR, CZ) and MEPs’ assistants; EESC Member, Mr. Josef ZBOŘIL; Mr. Brendan DEVLIN, Advisor to Director, DG Energy; Ms. Aleksandra TOMCZAK, Policy Co-ordinator – EU Coal, DG Energy; officials from the Member State permanent representations of Denmark, Germany, Lithuania, Portugal and Spain; representatives from companies and business associations, including CEEP, EUROFER, CEPI, BUSINESSEUROPE, ČEZ, PKEE, ArcelorMittal and ThyssenKrupp; EURACOAL President, Dr. Zygmunt ŁUKASZCZYK and EURACOAL members.

Welcome and Introduction

Dr. EHLER welcomed participants. He noted the larger number of Green MEPs on the ITRE committee, and encouraged a lively and deep debate with them. Prof. BUZEK thanked Dr. EHLER for being co-chair of the European Round Table on Coal. He said that it was good to have people defend coal; after all, coal and steel were the basis of European integration, to protect the peace. Now, during the climate and energy debate, the time had come to protect coal. He highlighted that we need to change the language we use – to stop talking about “decarbonisation” and focus on “low-emission” energy technologies. The question was not if coal should be used, but how it can be used efficiently, in an environmentally friendly and socially acceptable way, using clean coal technologies, for example. Dr. EHLER wanted to hear from the European Commission why coal was not mentioned when writing of the future of energy in Europe in the Energy Union communication.

The Energy Union – How will the Commission’s proposal affect different energy sectors and energy-intensive industries? – *Brendan DEVLIN, Adviser to Director, DG Energy, European Commission*

Mr. DEVLIN said that coal and energy-intensive industry were very important in the EU. Coming from Northeast England, he had seen the coal and steel industry shrink markedly over just five years, during the 1980s; cities became ghost cities and the region continues to suffer the consequences. If it is not appreciated that many regions are strongly connected to industry, then we cannot talk of a European energy policy for the energy transition.

Referring to the opening remarks, Mr. DEVLIN noted that although Commission documents use the word “decarbonisation”, the Commission is neutral on how this is to be achieved, hence its “carbon neutrality”. The Commission sees the future of coal and other fossil fuels with CCS, CCU

and other clean technologies, but recognises that it is up to member states to decide on their energy mixes.

Mr. DEVLIN noted that in the future, electricity markets will penalise those generators with high fuel costs. Systems based on renewables will take over and dominate the market, he believed. If that led to occasional negative energy prices in Europe, then it would be positive for energy-intensive industry, he speculated. Today, coal benefits from low prices for CO₂ emission permits, pushing gas out of the merit order. Mr. DEVLIN concluded that energy market design and the future of the merit order approach and capacity payments will be covered in a “summer package”.

The Energy Union – Views from the Parliament – *MEP Marek GRÓBARCZYK (ECR, PL), Rapporteur for the European Parliament’s opinion on Energy Union*

On 28 May, the ITRE committee reviewed Mr. GRÓBARCZYK’s report for the first time, which responds to the Commission’s Energy Union communication. The report focuses on four major aspects:

- the internal market;
- the contribution of energy efficiency to demand moderation;
- creating a low-emission economy and making the EU a global leader in renewables and other low-emission technologies; and
- R&D.

Mr. GRÓBARCZYK underlined that, in light of the Commission’s proposal, some issues must be highlighted: the price of natural gas in Europe is much higher than in the US – sometimes 3-4 times higher – and some member states are 100% dependent on one gas supplier. According to the MEP, the Energy Union should be supported by three pillars: conventional and unconventional sources, nuclear and renewables, which, taken together, would help keep prices under control and reduce supply risks. Mr. GRÓBARCZYK mentioned that some member states should provide financial support to reduce energy poverty, for example helping those who cannot afford electricity. He concluded by expressing his support for indigenous coal production and for keeping coal in the European energy mix.

Discussion

Prof. BUZEK assured participants that the ITRE Committee would debate the report of Mr. GRÓBARCZYK thoroughly, but reaching out and discussing the issues with stakeholders and society was equally important. Dr. EHLER mentioned that, in light of negative energy prices in Eastern Germany, an interconnector between Poland and Germany may be a dream.

Mr. Brian RICKETTS, Secretary General of EURACOAL, made an intervention in which he said that the coal industry supports the “energy transition”, but noted that the process will take time and that, at the moment, nobody knows the precise route to achieve the end point. He stated that coal would be used for many years to come, maybe not at current levels, but certainly an important part in the energy mix. The way forward would be to use coal in the most efficient and environmental friendly way. However, he asked if the supremacy of EU climate policy was not creating an unfavourable investment climate for those cleaner coal projects that could make a real difference during the transition.

Mr. Josef ZBOŘIL, an EESC Member, expressed his concern about security of supply in light of the current geopolitical situation. He addressed the importance of energy for European citizens and, referring to the Energy Union communication, asked if it really addressed the need to keep the lights on in Europe.

Dr. George MILOJCIC of DEBRIV, representing the German lignite industry, said that the merit order system left conventional generation unable to recover its costs in a market where marginal costs were driven to zero by must-run generation supported by feed-in tariffs. If the market continues to operate in this way, then there is no place for any investment, except in subsidised renewables.

Mr. DEVLIN replied, noting that it is not relevant whether the word coal was used in the Energy Union communication or not, since there is no policy decision to keep coal in or out. It is for member states to decide on their energy mixes, he reiterated. On the zero-marginal cost question, he argued that greater interconnections would speed up the process of integrating renewables in a true market and quickly lead to a drop in subsidies, in Germany for example. He presented a view in which interconnectors would make it possible to create a dynamic mix, as different member states would use different fuels in competition. He also noted that coal's share is currently rather high: maintaining a higher share than gas in the power generation mix, thanks to its competitive price and flexibility in the market. However, the rise in coal demand had been met by imports from outside Europe and these had increased the EU's CO₂ emissions. As for the investment climate, all energy sources needed investment, but he agreed that sweating assets in the electricity market was not sustainable.

Dr. Erich SCHMITZ of VDKi, a coal importers association, was not convinced by the arguments presented. Decarbonising the power sector would, he said, be much more complicated than imagined. He challenged the notion that prices for energy-intensive industry would go down by explaining that with all the add-ons to support networks and renewables, electricity bills were rising. Mr. DEVLIN replied that taxes and charges were at the discretion of member states; the Commission had little influence, but wanted to see harmonisation.

EURACOAL President, Dr. Zygmunt ŁUKASZCZYK, underscored that Europe has its indigenous coal resources available at all times, while gas is only available at the discretion of suppliers. He said that the coal industry agreed that, in the future, it would be good to be fully dependent on renewable energy sources. However, nobody knew how to reach this political vision. The coal industry does not want to be seen as a dinosaur, resisting change, but instead wants to be valued for what it offers in terms of secure and competitive energy production. President ŁUKASZCZYK expressed his gratitude to MEPs for their support of the European Round Table on Coal.

Mr. Bogdan JANICKI, representing CEEP, talked of Mr. GRÓBARCZYK's suicidal mission to prepare a report on Energy Union, but assured him that he had supporters. The EU, he said, will meet its emission targets and he did not understand why industry was being squeezed. Mr. JANICKI noted that Poland's *per capita* emissions were only slightly above the EU average and that it was not therefore the dirty country sometimes imagined. Modernising power plants is the way forward, he said, to introduce the best, state-of-the-art technologies, as found in Germany. New investments in coal plants should be supported by the financial institutions, but the European Investment Bank's lending criteria now exclude most coal projects. He warned that this would lead to carbon leakage and job losses.

Mr. Krzysztof ŁOKAJ of the Polish Chamber of Chemical Industry and representing the International Federation of Industrial Energy Consumers (IFIIEC) argued that people depend on energy-intensive industry for everything that they do and use, from paper and plastics to steel and aluminium. The industry uses a lot of energy, especially heat energy, because it is a fundamental part of the technical processes used to create new raw materials. Moreover, the energy-intensive industry consumes a steady quantity of energy; it is not possible to shut down temporarily, for example, a glass factory or a steel mill. They are continuous processes with downtime for planned maintenance, but never to save energy. He contrasted the pros and cons of different energy sources, noting their land requirements (6 ha for a power plant, 120 ha for a wind farm or 2 500 ha for biomass production). The choice for energy-intensive industry is often coal or gas.

Prof. BUZEK noted that everyone present appeared to be on the same side and that a serious discussion on the issues was needed with others who are against coal. When in Silesia at the European Economic Congress, Commissioner ARIAS CAÑETE was presented with examples, such as the banning of coal for residential heating in Kraków. Mr. BUZEK said that care of the environment meant dealing with many issues to keep coal in the mix.

Dr. EHLER referred to the 16 hours of negotiations in parliament on the European Fund for Strategic Investments and Connecting Europe Facility. In practice, there may be little possibility for much-needed investments: the Commission is proposing an Energy Union, but is cutting down the means to achieve it, he said. Dr. EHLER concluded the meeting with his view on COP 21, suggesting that there are already two difficult issues in the EU position: ETS and renewables. Any further climate policy actions would needlessly complicate the negotiations.