

EURACOAL Position Paper

on the proposal to modernise the Research Fund for Coal and Steel

The European Commission has published a modernisation package of proposals for the Research Fund for Coal and Steel (RFCS).¹ EURACOAL supports the intention to modernise the management of the RFCS and its assets. We do, however, wish to see greater consideration given to the scope of future coal-related research which should be more ambitious than proposed by the Commission.



Key Points

- The RFCS was created by member states in 2002 to fund research of benefit to the coal and steel industry. It uses assets that were collected from the industry in the form of levies.
- The fund is managed by the European Commission on behalf of member states, and the RFCS research programme sits outside the EU framework programme for research.
- EURACOAL welcomes the proposal to continue the RFCS collaborative research programme and suggests that this should be maintained at the level of €60 million per year, recognising that this means drawing down the assets.
- Furthermore, EURACOAL welcomes the proposal to support larger industrial research projects with an additional €71 million per year, linked in the case of coal to the Just Transition Mechanism. Further details on how this support will be allocated are needed.
- As the assets were collected from industry, they should be used mainly to support industrial research. The RFCS should not finance purely regional development projects as these will be eligible for funding under the Just Transition Mechanism.
- The Commission's proposal excludes coal research from the RFCS. Given that coal remains globally important and carbon chemistry is fundamental to a circular economy, more flexibility is called for.
- The Coal and Steel Committee of member state representatives (COSCO) should continue to have oversight of the RFCS projects funded and a say on research topics.
- The proposed RFCS modernisation package must be agreed and approved by EU member states before it can be implemented.² The European Parliament must give its consent to the change of legal basis and its opinion on the technical and financial guidelines.

Background

The Treaty of Paris, signed in 1951, created the European Coal and Steel Community (ECSC) – the origin of the EU institutions as we know them today. The ECSC brought together six countries (Belgium, Germany, France, Italy, Luxembourg and the Netherlands) with the aim of freeing up access to coal and steel production and organising the free movement of these crucial commodities in a fair market – these being the first steps towards European integration.

The ECSC’s budget was **funded by levies on coal and steel production** to cover administrative expenditure, non-repayable aid towards retraining workers, and **technical and economic research to help advance the coal and steel industry**. As well as offering loan guarantees to companies, the ECSC borrowed money so that it could grant investment loans.

At the expiry of the Treaty of Paris on 23 July 2002, all assets and liabilities of the ECSC were transferred to the European Community **for the purpose of creating a coal and steel research fund**. Member states agreed that the “net worth of these assets and liabilities” would benefit the industry that provided the assets. **The fund and its purpose are defined in Protocol 37 annexed to the Treaty on the Functioning of the European Union**. Specifically, the fund shall be used exclusively for coal and steel research, outside the research framework programme.

From this brief historical account of the ECSC and RFCS, it should be understood that the assets in question originate from the two industrial sectors that now wish to see the assets used in ways to benefit the future of those sectors, as required by Protocol 37 to the Treaty. Indeed, the defined allocation split for the assets – 27.2% to coal-related research and 72.8% to steel-related research – reflects the aggregate sum of past levies paid by the two sectors.

Commission proposal

On 16 July 2020, the Commission published the first elements of its proposed modernisation package. From its proposal to revise the legal basis, the key paragraph is (with amendments proposed by EURACOAL shown underlined in red):

“The assets shall be managed by the Commission in such a manner as to keep an annual RFCS allocation of [EUR 111 Million] until the year 2027 to finance research in the sectors related to coal and steel industry and namely [EUR ~~60-40~~ Million] to finance collaborative research in the said sectors and [EUR 71 Million] to finance research for breakthrough technologies leading to near zero-carbon steel-making and research projects carried out mainly by the coal industry for managing the just transition of formerly operating coal mines or coal mines in the process of closure, and related infrastructure in line with the Just Transition Mechanism and in compliance with Article 4(2). After the year 2027, the assets shall be managed by the Commission in such a manner as to ensure a long-term return. The assets shall be invested with the objective of preserving, and where possible enhancing, the value of those assets.”

In its advice to the European Commission, EURACOAL recommended the value of the RFCS collaborative research programme be maintained at historic levels, namely at €60 million per year,

and not be reduced to €40 million. This advice was supported by the formally constituted RFCS Coal Advisory Group at an *ad hoc* meeting on 23 May 2019 and is reflected in a subsequent orientation paper prepared by the Commission.

Proposed technical guidelines

In its proposed [technical guidelines](#), the Commission makes substantial revisions to the RFCS technical guidelines previously agreed by Council in 2008.³ In relation to coal, it proposes the guidelines should be covered in three revised articles (see boxes below).

EURACOAL believes that the Commission’s proposal is not ambitious enough as it is coloured by past problems associated with coal extraction and use. While it is certainly important to address these problems, and to deal with the social problems created by an early coal phase-out, the RFCS should focus on the **new technologies that can change the way coal is exploited for the better**, as well as supporting novel ways of re-using existing coal-related assets.

For example, with a “circular economy” in mind, the biogeochemical cycles found in nature – principally water (hydrogen and oxygen), carbon, nitrogen, phosphorous and sulphur – provide a guide to what is truly sustainable. Material use outside these cycles requires the extraction of raw materials from the Earth. For example, one tonne of steel requires over 3 tonnes of low-grade iron ore or 1.4 tonnes of high-grade ore to be mined (as well as 0.8 tonnes of coking coal).

The expanding role of advanced materials, such as carbon fibre reinforced polymers, means that traditional materials such as steel, cement and ceramics are being replaced with more environmentally friendly alternatives. **Carbon chemistry is fundamental to establishing a more sustainable, resource-efficient, low-emission society** in which more materials are recycled. Indeed, human beings are one-fifth carbon by mass. In addition, the **growing demand for rare earth elements** and other scarce materials means that coal resources, including spoil and ash, are being viewed in a new light – as a source of materials for the new economy.

At the same time, diversification of the coal industry away from the use of coal as an energy source brings challenges that are well recognised by the Commission. The transition offers many openings for new areas of research that can benefit the coal industry and the regions where it operates. Here, we accept the need to use a broad definition of “coal industry” as it increasingly includes new activities at former coal mine and coal power plant sites. **The repurposing of these assets brings new opportunities in the fields of energy recovery, energy storage and materials recycling**, as well as economic development and land reclamation projects that can all benefit from leading-edge research.

To illustrate more precisely the opportunities missing from the Commission’s proposed RFCS modernisation package, EURACOAL suggests some small, but significant amendments – as shown underlined in red in the boxes below.

Article 4 Supporting the just transition of the coal sector and regions

1. Research projects shall support industry in the transition towards a climate-neutral Union economy by 2050, with the objective to support the phasing out of fossil fuels, to develop alternative activities on former mine or power plant sites and avoid or restore environmental damage of coal mines in the process of closure, formerly operating coal mines and their surroundings. Projects shall in particular focus on:
 - (a) development and testing of carbon dioxide capture, use and storage technologies related to coal use, also with a view to promoting the circular economy including carbon recycling in fuels and materials;
 - (b) energy storage, hydrogen production and storage, e-fuel engineering, and use of geothermal energy on former coal sites;
 - (c) non-energetic uses and the production of raw materials from coal and lignite, and mining wastes and residues from formerly operating coal mines or those in the closure process, duly assessing that their climate, environmental and health impact is minimised and lower than alternative solutions, and that resources are surveyed and secured for future generations;
 - (d) repurposing of former coal and lignite mines as well as coal-related infrastructure, including power supply services, in line with a climate-neutral and environmentally-friendly transition;
 - (e) promoting the development of efficient re-skilling and up-skilling programmes for labour affected by a coal phase out. This includes research on training and re-skilling of labour force employed or previously employed in the coal sector when carried out in support of coal regions in transition.
2. Special attention shall be given to strengthening European leadership in managing the transition of formerly operating coal mines and coal-related infrastructure through technological and non-technological solutions, also supporting technology and non-technology transfer. Research activities with these objectives shall present tangible climate and environmental benefits in line with the objective of climate neutrality by 2050.

Article 5 Improving health and safety

Issues concerning safety in coal mines in the process of closure and formerly operating coal mines with a view to improving working conditions, occupational health and safety, as well as environmental issues deleterious to health, shall be taken into account in the projects covering the activities referred to in Articles 4 and 6.

Research projects shall focus on diseases related to mining activities with the aim of improving the health of people living in coal regions in transition. Research projects shall also ensure protective measures during the closure of mines and in formerly operating mines.

Article 6 Minimising the environmental impacts of the coal sector mines in transition

1. Research projects shall seek to minimise the impacts of coal mines in the process of closure and of formerly operating mines on the atmosphere, water and soils. Research shall be geared towards preserving and restoring natural resources for future generations and minimising the environmental impact of coal mines in the process of closure and in formerly operating mines.
2. Preference shall be given to projects that envisage one or more of the following:
 - (a) new and improved technologies to avoid environmental pollution, including methane leakage, of coal mines in the process of closure, formerly operating mines and their surroundings (inter alia atmosphere, land, soils and water);
 - (b) capturing, avoiding and minimising greenhouse gas emissions, in particular methane, from coal deposits in the process of closure;
 - (c) managing and re-using mining waste, fly ash and desulphurisation products from coal mines and power plants in the process of closure and formerly operating coal mines and power plants, accompanied, where relevant, by other forms of waste;
 - (d) refurbishing waste heaps and using industrially residues from coal production and consumption in coal regions in transition;
 - (e) protecting water tables and purifying mine drainage water;
 - (f) restoring the environment of former coal-related installations or coal-related installations that are in the process of closure ~~that used coal~~, and their surroundings, notably water, land, soils and biodiversity;
 - (g) protecting surface infrastructure against the effects of subsidence in the short and long term.

COSCO oversight

A potential concern is the Commission’s proposal to repeal a reference to the possibility of amending Sections 3 and 4 of Chapter II of the technical guidelines by means of implementing measures, in order to apply *mutatis mutandis* the principles applicable to empowerments given in legislative acts which are set out in the Interinstitutional Agreement of 18 June 2019 on non-binding criteria for the application of TFEU Articles 290 and 291. Hence, in Article 1 Section (13) of the proposal, the Commission proposes deleting points (a) and (c) in Article 41 of Council Decision 2008/376/EC which respectively cover project approvals and research topics.

EURACOAL would like clarity on why this implementing power ever existed and why it is now being revoked. We need to be sure that the **Coal and Steel Committee of member state representatives (COSCO) will continue to have oversight of the RFCS** projects funded and a say on research topics.

Conclusion

With the amendments suggested by EURACOAL to the revised RFCS technical guidelines proposed by the Commission, we might see a more adventurous future for the RFCS research programme, bringing forward new technologies that can help with the energy transition. Dwelling on the past is not an option, the European Union needs to move forward quickly with new approaches, particularly in the field of materials science. The coal industry stands ready to adapt its long value chains and put them to new purposes: in a nutshell, **repurposing the industry**.

Next steps

On 16 July 2020, the European Commission launched a [public consultation](#) on the RFCS modernisation with a closing date of **10 September 2020**. Following a simplified written “silence procedure”, the European Council agreed on 3 August 2020 to consult the European Parliament.⁴

The proposed Council Decisions will be made according to TFEU Article 289(2), so by special legislative procedure in accordance with Article 2 of Protocol 37 of the Treaty. Hence, the European Parliament must give its consent to the proposed change of legal basis (COM(2020) 319) and can veto. Parliament is consulted for its opinion on the technical and financial guidelines (COM(2020) 320 and 321) and may approve, reject or propose amendments. The Council is not legally obliged to take the Parliament’s opinion into account, but according to the case-law of the Court of Justice, it must not take a decision without having received Parliament’s opinion. **As with Parliament, there is no time limit for the Council to act**, but final decisions are foreseen in early 2021.

31 August 2020

¹ The RFCS modernisation package comprises three draft Council decisions:

COM(2020) 319 – Proposal for a Council Decision amending Decision 2003/76/EC establishing the measures necessary for the implementation of the Protocol, annexed to the Treaty establishing the European Community, on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel

COM(2020) 320 – Proposal for a Council Decision amending Decision 2008/376/EC on the adoption of the Research Programme of the Research Fund for Coal and Steel and on the multiannual technical guidelines for this programme

COM(2020) 321 – Proposal for a Council Decision amending Decision 2003/77/EC laying down multiannual financial guidelines for managing the assets of the ECSC in liquidation and, on completion of the liquidation, the Assets of the Research Fund for Coal and Steel

² The Competitiveness Council configuration of the European Council is responsible for research and innovation matters, so it will likely be ministers sitting in the Competitiveness Council who agree and approve the RFCS modernisation package. In preparation, the package will be considered by the Committee of the Permanent Representatives of the Governments of the Member States to the European Union – Part I (Coreper I), comprising deputy permanent representatives, and the Mertens Group. In this instance, the Working Party on Research may assist (subject RECH 274 – research (general)), but given the nature of the RFCS and its basis in the EU Treaty, Coreper I may wish to have the views of other committees, working groups or working parties before making its recommendations to Council ministers, *e.g.* Economic and Financial Committee (subject FIN 495 – general financial questions), High Level Working Group on Competitiveness and Growth (subject COMPET 327) and Working Party on Energy (subject ENER 240 – energy: general policy).

³ Council Decision 2008/376/EC of 29 April 2008 on the adoption of the Research Programme of the Research Fund for Coal and Steel and on the multiannual technical guidelines for this programme

⁴ Article 12(2)(c) of the Rules of Procedure of the European Council