



## "Towards a European Strategy for the Security of Energy Supply"

### Euriscoal's contribution to the Green Paper June 2001

#### **Introduction**

Euriscoal represents the coal importers from Spain, Italy, Germany, France, Scandinavia, Belgium, and the Netherlands as well as British coal producers. In total our organisation represents about 60% of the Gross Inland Consumption of hard coals in the European Union or about 150 million-ton coal consumption.

EURISCOAL welcomes the Green Paper on energy security of supply and is glad to have the opportunity to contribute to the debate on a European energy strategy.

However, EURISCOAL is disappointed that the only proposal concerning coal relates to coal production (with very negative perspectives) and that no initiatives on coal use and consumption have been forthcoming. However, the Commission does recognise the benefits of imported coal in terms of security of supply as nuclear power declines.

#### **Commission's position**

- The EU is becoming more and more dependent on external energy sources.
- It is impossible for the EU to be self sufficient in energy
- 80% of the European energy reserves are coal.
- World reserves of oil and gas are predominantly in the Middle East and former Soviet Union



- The EU has no influence on international energy prices
- The EU Kyoto targets will not be met
- The EU's renewable targets will not be met
- Declining nuclear capacity within the EU. By 2025, existing nuclear power stations will need to be replaced (100GW).
- 90% of the expected growth in CO2 emissions between 1990 and 2010 is attributable to the transport sector.

## **General remarks**

In spite of its numerous qualities, coal suffers from a negative image, which is reflected in this Green Paper. Once again, coal is associated with social, regional and financial problems. Except in the UK, all European mines have difficulties in competing with non-EU producers and are heavily subsidised.

EURISCOAL believes that **competitive European coal producers** can enhance fuel security within the European Union. Nevertheless, the reduction of indigenous production related to the necessary closure of the uncompetitive, heavily subsidised mines does not mean that EU needs to reduce its coal consumption in the same proportion.

We insist that alternatives exist on the world market, since coal is an abundant fuel, which is produced and traded globally. As the Commission stresses, the abundance of coal (230 years reserves), its geographical and geopolitical diversity of sources and the absence of price tensions on the world market for coal are **major advantages in term of security of supply**, even if the external dependence increases.

On the field of environmental concerns, coal has long been criticised as the dirtiest fuel. However, we would want to draw your attention to the fact that coal transport "does not entail the same environmental hazards as the transport of oil or gas", as acknowledged in the Green Paper.

Like other fossil fuels, coal combustion releases polluting substances. However, coal can now be used with very low emissions of sulphur, nitrogen oxides and dust, **comparing favourably with any other fuel**. In the future and for the reasons mentioned above, coal will remain an important part of our fuel mix. It is therefore essential to focus on the way **to improve coal use**. Technologies that considerably reduce its environmental



impact already exist and are being demonstrated. **Modern coal-fired plants** have a fuel to electricity efficiency exceeding 45%. They meet the same tough environmental legislation as all other plants and emissions of "traditional" harmful substances are no worse than those from any other fuel, including natural gas. Catalysts, scrubbers and filters remove nitrogen oxides, sulphur and particulate from the flue gases to very low levels. Emissions of polyorganic matter, chlorinated substances and heavy metals are virtually eliminated by optimised combustion and flue gas cleaning. Ash is often completely utilised in other industries such as cement manufacture. Even CO<sub>2</sub> emissions would be reduced by upto 25%. On virtually every point, modern coal combustion can compete with other fuels or combustion technologies.

In this context, while acknowledging the importance of EU's environmental commitments, notably regarding the Kyoto targets, EURISCOAL considers that any solution proposed must not hinder or disregard the fact that **long-term sustainable solutions** are necessary. Therefore, EURISCOAL is disappointed that in the Green Paper the Commission did not mention any clear initiative in favour of modern, efficient and green use of coal, although it notes its economic and energy supply advantages.

In EURISCOAL's opinion, **clean coal technologies**, and notably longer **term capture and sequestration of CO<sub>2</sub>** deserve particular support. This would enable coal to contribute to European fuel security in a manner which meets the ever tightening environmental constraints.

It is therefore important that **investment in clean coal technology** is made across the EU to provide both diversity and security in the European energy market and help meet international environmental commitments. As with all new technologies, initial investment is difficult to arrange given the associated risks. Private finance is available but is unlikely to be attracted without the guarantee of long term contracts. Therefore, to pump-prime the initial building of commercial units, EURISCOAL proposes the **introduction of a 'Clean Coal' Obligation** where electricity suppliers would purchase specified quantities of electricity generated from clean coal sources. This would avoid the need for large capital funding from Governments, as it is the consumer who would pay a very modest price, to protect the diversity and security of energy supplies. This method has already been successfully adopted within the UK, to support both the renewable and nuclear industries.



## **Comments on specific issues raised in the 13 questions**

### **a) Taxation**

If the EU were to unilaterally introduce energy taxation, it would damage the competitiveness of European industry. Moreover, it would have no positive impact on the global environment, as there is a risk that energy-intensive industries would relocate away from the EU, into countries with lower environmental requirements.

EURISCOAL considers that the use of voluntary agreements and incentive measures are more appropriate to meet the aims of security of supply, competitiveness, environment protection and social development.

However, the current situation leads to confusion and distorts competition both between Member States and also between fuels. There is a need for co-ordination of tax and state aids policies between fuels and EU countries in order to ensure a coherent strategy.

If new taxes on energy products are introduced, the financial resources they generate should be used for genuine environmental and security of supply programmes.

### **b) EU-Russia relationship**

Dialogue with supplying countries has to be enhanced. However, the EU should be aware that agreements can be broken. A partnership with Russia or any other supplier brings no guarantee in terms of security of supply.

### **c) Support to RES**

Whilst renewable generation is an important element in the EU energy mix, it is unlikely to grow at a rate which would replace retiring nuclear and coal plant. Increasing the share of electricity from renewables can contribute to achieving environmental objectives. However, there are problems on relying totally on renewable energy to provide security of supply. Many renewable technologies are unable to respond to rapid increases in energy demand and run at low load factors.

Coal can provide flexibility to the system and coal stations can if necessary burn gas or oil, whilst the contrary is not true.



For these reasons, we believe financial support has to be given to initiatives which can contribute to emission reductions or to more effective combustion process such as advanced coal technologies, CO<sub>2</sub> capture and sequestration.

#### **d) Stockpiling**

Any increase in strategic oil and gas stocks may provide some relief against speculators in the market, but cannot provide any real answer to security of supply problems. It must be highlighted that coal can easily and safely stockpiled without any environmental risks.

#### **e) Kyoto**

The Kyoto Protocol provides for the reduction of 6 greenhouse gases, not only CO<sub>2</sub>, over a short term time horizon. Any measures and strategies developed from the Green Paper should not run counter or hinder the EU's long-term security of energy supply.



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