

**GERMAN COALMINING FEDERATION****Opinion on the European Commission's Green Paper "Towards a European Strategy for the Security of Energy Supply" [COM(2000) 769 final of 29.11.2000]****A. General observations**

The German coalmining industry welcomes the fact that, against the background of the high and growing dependence on imports from third countries with the associated risks in terms of supply and price, security of energy supply in Europe is once again recognised as a vital objective of energy policy in the EU and its Member States. As regards security of energy supply, however, it is not only physical and economic risks, but also, as the Green Paper rightly emphasises, social and ecological risks that have to be considered. These risks have to be countered by on the one hand limiting the growth in demand by greater energy efficiency in all areas and on the other reducing dependence on the supply side. The latter requires a diversified energy mix with appropriate use of domestic energy sources, with coal continuing to play a role alongside renewable energies. Coal, which worldwide and in a number of European countries is the number one energy source for electricity production, constitutes by far the largest domestic energy raw material reserve in Europe. As the Green Paper makes clear, coal not only has a "glorious past" in European energy supply (and through the ECSC in European integration as well), but will also remain very attractive economically and as a source of supply in the future. In the long term, and as the Commission also forecasts in the Green Paper, there is the prospect of a revival of coal both worldwide and in the European energy balance, particularly in an enlarged EU, where present exploitable reserves of hydrocarbons decline and modern, efficient and environmentally friendly coal technologies come on-stream. Exporting these technologies, a field in which the EU is an international leader, can moreover make an important contribution to sustainable development. The promotion of clean coal technologies is one of the most effective and cost efficient measures. With improved combustion techniques, coal gasification or CO<sub>2</sub> sequestration, promising innovative developments are already on the way or are the subject of intensive research.

A precondition for the further development and acceptance of European clean coal technologies is, however, continuity of coal mining and use in the Member States; this must not be put at risk by energy and environment policy measures at Community level. Conversely, a technological offensive in the coal sector could enable the EU to take account of not only the ecological but also the economic and social dimensions of sustainability. From the point of view of an active policy to secure energy supplies, access to own reserves, and in Europe - regardless of the long term prospects of the renewable energies - that means mainly indigenous coal reserves, is of vital importance. There is little doubt that, because of geological conditions, the European coal industry, including Germany, has scarcely any prospect of international competitiveness (which moreover also applies at present to a considerable proportion of renewable energies) and has therefore been undergoing a far-reaching restructuring process for some considerable time. The indigenous coal industry can only meet these challenges with the help of public funds. Even after the expiry of the ECSC Treaty on 23.7.2002, therefore, it will still be dependent on State aid and appropriate Community schemes which will then have to be adopted under the EC Treaty. Ensuring that these new aid schemes for the coal industry are effective and in proportion is an urgent part of future energy policy. The following sections will refer explicitly only to the comments of the Green Paper on the

future of the indigenous coal industry after the expiry of the ECSC Treaty, i.e. Annex 3 of the Green Paper in particular.

B. Individual observations:

1. Points on which the German coal industry is in agreement

The German coal industry emphatically endorses the principle that the future subsidy scheme for coal should be included in a framework for long-term security of energy supply which will guarantee the availability of indigenous production capacities in the EU and thus constant access to the main reserves.

As the Green Paper states, such aid would make it possible to produce a minimum quantity of indigenous coal, which would contribute to security of energy supply and at the same time keep equipment in an operating condition and retain the professional qualifications of miners and technological expertise. Moreover, as is stated in various places in the Green Paper, aid policy for the coal industry must also continue to help overcome the regional and social problems arising from the restructuring of the industry. In this connection both the economic and social context in the EU-15 coal fields and the special situation in Central and Eastern European candidate countries must be properly taken into account. Moreover, the proposed minimum production of coal should form part of an indigenous primary energy base, the structure of which could allow a degree of flexibility for the Member States and which could also include the promotion of renewable energies. We support the proposal made by the German Government that each Member State should be allowed to secure 15% of its national primary energy consumption by aiding non-competitive indigenous energy sources. Moreover consideration should be given to the suggestion made in the Green Paper that the coal base should be linked to the 15% priority quota for indigenous energy sources allowed on grounds of security of supply in the internal market Directive on electricity.

2. Points which the German coal industry would dispute

From our point of view, the statement that "a minimum quantity of subsidised coal should be produced, not for production as such" but only to keep equipment in an operating condition is misleading. In principle the idea of keeping equipment operational is correct. However, a genuine operating condition can be achieved only in an efficient plant in full-time production. Long-term production at a certain level is the best guarantee of being able to make full use of and if necessary develop access to the reserves in a crisis. Moreover, actual production makes a significant contribution towards limiting import dependency and diversifying the primary energy supply and thus ensuring security of energy supply.

The level of production naturally has to be set against economic constraints. There is, however, no reason for the presumption that rationalisation of coalmining cannot proceed after the expiry of the ECSC Treaty and that restructuring measures which have already begun cannot be continued successfully. In Germany the reduction of the financial ceiling planned for 2005 alone will dictate this. Given the sharp reduction in operating aid, it is therefore in the own interests of the coal producers in question to fully exploit their potential for rationalisation and reduce real costs still further. It is also in their interests to replace the capacities which have to be cut as a result of the reduction in subsidies with new viable business activities in mining regions. However, this requires available investments, adequate start-up times and favourable market conditions. In

reality, therefore, there can be no question of "keeping coal production at levels that defy economic logic" as warned against in the conclusion of the Green Paper. Conversely, care should be taken to ensure that simply demanding that future coal production should be economic does not call into question the priority of security of supply, social compatibility and acceptance in the Member States. The same would apply for environmental conditions which were too restrictive. Naturally, environmental aspects and objectives have to be taken into account during the production of coal, as with all other forms of energy. However, the issue here is not overwhelming negative environmental consequences of a sector expanding out of control, but the coal production base remaining after a lengthy, strategic process of contraction, which employs the most modern extraction and processing techniques and already meets the highest international environmental standards. Insofar as the Community wants even more progress on environmental protection and climate control in the coal industry - in line with other energy policy objectives - it has at its disposal appropriate instruments, particularly its programmes to promote research.

### 3. Proposals by the German coal industry concerning the conclusions to be drawn from the Green Paper and further action

Since the ECSC Treaty expires in July 2002 and a degree of certainty in relation to planning is required for the coal industry, its employees, its economic environment and the regions in question as well as for national energy policies, a decision on the future coal subsidy scheme must be taken soon, if possible in 2001, and must guarantee a reliable framework.

The time horizon for the target scheme should be as long as possible, notwithstanding regular checks on aids by the Commission and a periodical review of the conditions governing it at Council level. The Green Paper gives projections of energy trends up to 2030, and these projections show no decline in the importance of coal for European energy supply. Future coal policy and the new aid scheme should also be geared to this time perspective, or at least to a period up to 2015. For those Member States wishing to keep indigenous production capacities in the long term, the main aim should be a viable and efficient coal industry. A precondition for this is comprehensive, long term capacities the level of which is set at national level, i.e. as part of the Member States' room for manoeuvre, and geared to the respective energy policy priorities and own resources. If Member States decide in favour of an indigenous primary energy base in accordance with their national energy powers and the principle of subsidiarity, this should be on a sufficient overall scale to ensure that the coal share desired by a number of Member States such as the Federal Republic of Germany in the long term can reach and maintain the necessary level. Such a primary energy base which apart from a solid coal base could also include the promotion of renewable energies, should in our view be seen as a common energy policy "roof" which reflects general objectives, sets out responsibilities and regulates the question of licences. The respective aid provisions require sector-specific schemes for which the Council should determine appropriate principles for the implementation of energy policy objectives, compliance with which will be monitored by the Commission in accordance with a general requirements of the EC Treaty. Since the importance of indigenous coal in terms of energy and raw materials policy extends beyond electricity generation to, in particular, steel production - its integrating effect is exemplified by the European Coal and Steel Community which has existed hitherto and will carry on in new forms far beyond 2002 - coking coal should also be included in a coal base in addition to steam coal.

6.

If the future support regime is to take account of the 15% quota in Article 8(4) of the internal market Directive on electricity, consideration should also be given to the fact that this internal market Directive contains a special priority scheme for renewable energies, i.e. the 15% quota should be laid down for other indigenous energy sources, and de facto for indigenous solid fuels. This should include only those indigenous energy sources whose existence will be threatened by competition but whose contribution is to be maintained on grounds of security of supply. It is clear that maintaining the long-term base production of indigenous coal as a contribution to security of energy supply requires operating aids or similar support the continuity of which is vital. Moreover, in view of further changes and the consequences of earlier restructuring, as provided for under Community Regulation 3632/93/ECSC in force at present, it must be possible for Member States to grant sufficiently long-term aids to reduce production and cover exceptional costs (in particular bad debts and restructuring costs) in the coal industry. Moreover, as for all economic sectors, R&D aids and aid for environmental protection must be available in accordance with the relevant Community framework provisions. In addition, one of the most important aims for German coal policy is that the adjustments in capacities and manpower (still) required can be carried out in accordance with the principle of social acceptability, i.e. redundancies of miners should be avoided as far as possible. This was acknowledged by the Commission, which has stated its aim of minimising the negative regional and social consequences of restructuring in the coal industry, with regard to the German "Coal Compromise" agreed up to the year 2005. This principle must therefore be observed from 2002 and also after 2005. A new coal support scheme introduced on the basis of the EC Treaty after the expiry of the ECSC Treaty on 24.7.2002 must introduce appropriate and effective instruments for the application of the abovementioned principles which are geared to the general interests of security of energy supply and take account of the specific needs of the coal industry in Europe.

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