



EUROPEAN COMMISSION  
IMPACT ASSESSMENT BOARD

Brussels, 26 OCT. 2009  
D(2009)

## Opinion

**Title**                                    **Impact Assessment on: Aftermath of the expiry of Regulation 1407/2002 on state aid to the coal industry**

(draft version of 29 September 2009)

**Lead DG**                                    **TREN**

### 1) Impact Assessment Board Opinion

#### (A) Context

Since the expiry of the ECSC Treaty, the legal framework for the authorization of aid to the coal sector has been set by the Council Regulation 1407/2002. This regulation is set to expire on 31st December 2010. From that date, state support to the hard coal industry would be governed by the general EC Treaty rules on State aid unless a further specific policy instrument is adopted.

#### (B) Positive aspects

The report explains well how closing down of hard coal mines would affect employment in the regions concerned. It also gives a good account of the results of public consultations.

#### (C) Main recommendations for improvements

*The recommendations below are listed in order of descending importance. Some more technical comments will be transmitted directly to the author DG.*

#### **General recommendation:**

**The report needs significant further work to provide clarity on the problems to be addressed and options for action. Most importantly, the report should make clear that the main problems addressed by this initiative are of a social and environmental nature and regionally concentrated, rather than concerning internal market and competition issues which are limited. It should provide a fuller analysis of the social problems which redundant coal miners could face if coal mines are closed down immediately after the Coal Regulation expires in 2010. Considering that it was the preferred approach of large part of stakeholders, the report should also analyse the continuation of the existing scheme (the Coal Regulation) as a full**

**option. It should also provide more complete information on the current options and in particular justify the proposed timescales. Finally, the report should explain more fully to what extent different social and environmental problems could be mitigated with instruments other than sector-specific state aid instruments.**

**Given that the recommendations concern key elements of the IA report, the IAB requests DG TREN to resubmit a revised version of the IA report, on which the Board will issue a new opinion.**

- (1) Make clear that the main problems addressed by this initiative are of a social and environmental nature rather than concerning the internal market and competition.** The report explains clearly that the distortions of competition for all the options are limited because most of hard coal production is consumed in domestic markets and trade between Member States is very limited. It should nevertheless explain more fully why eliminating subsidies and consequently closing down non-viable mines (e.g. in Germany) would not appreciably increase the export of viable mines (e.g. in Poland or the Czech Republic). Given that actual trade distortions are not an issue in either of the options, this fact should be clearly reflected in the corresponding assessments (currently, the report distinguishes between different levels of the distortions for different options). The report should make clear that the main problems addressed by this initiative are of a social and environmental nature.
- (2) Provide a fuller analysis of social problems related to coal mine closures.** While the report has provided estimates of possible job losses and of the increase in regional unemployment rates, these should be complemented by a fuller analysis of the specific situation of redundant coal miners, in particular as regards their re-employability prospects (including the possible contribution of factors such as age, income level, qualification level). Drawing on experience of Member States with coal mine closures, the report should explain how direct financial measures to alleviate the social impact (such as early retirement) are assessed from a social perspective.
- (3) Analyse the continuation of the existing scheme as a full option and explain more fully the content of the other options.** Given that it has been the preferred approach of the coal and mining equipment industries, social partners as well as of certain Member States, the report should analyse the continuation of the existing scheme as a full option. In this context, the report should also discuss the lessons from the evaluation of the Coal Regulation, explain why it has not led to sufficient restructuring, and address the concerns of social partners about the robustness of the analysis supporting the conclusion that the objective of ensuring the security of supply is no longer valid. As regards other options, the report should provide more complete information about the magnitude of aid allowed, its timescale and conditions, discuss the relevance of the “one time last time” principle and whether the options are compatible with Member States' plans for continued support for their mines beyond 2010. It should also provide an analysis to justify the timescale for state aid under the different options (such as 10 years for option 3).
- (4) Explain to what extent the different social and environmental problems could be mitigated without any sector-specific state aid.** The report should discuss more systematically to what extent the problems identified could be mitigated by general state aid instruments and - if mines are closed down - by non state aid instruments (whether at Member State, regional, or Community level). Rather than assuming that Member States or regions do nothing in the absence of a new EU instrument for the

coal industry, the report should develop realistic scenario(s) where Member States (or regions) use available state aid and/or non state aid instruments to alleviate the social and environmental impacts. The report should put into perspective the budgetary impacts of such baseline scenarios compared to the other options. The report should also explain if discontinuing the Coal Regulation could have an impact on the shift towards renewable energy, and the impact it would have on SMEs in the area of mining machinery.

**(D) Procedure and presentation**

The report should follow more rigorously the structure set out in the Impact Assessment Guidelines. In particular, the discussion on the social, economic and environmental problems which are likely to emerge in the absence of any further sector-specific state aid instrument should form part of the problem definition section.

**2) IAB scrutiny process**

Reference number	2009/TREN/047
Author DG	TREN
External expertise used	No
Date of Board Meeting	21 October 2009
Date of adoption of Opinion	26 OCT. 2009