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Comissão de Assuntos Europeus

COM (2010) 372 final

Proposal for a Council Regulation on State aid to facilitate the closure of uncompetitive coal mines

SEC (2010) 850

SEC (2010) 851

I - Introductory note

Pursuant to Article 6 of Law 43/2006 of 25 August 2006 on the monitoring, examination and pronouncement by the Assembly of the Republic on matters relating to the construction of the European Union, the European Affairs Committee is the permanent parliamentary committee qualified and competent for the overall monitoring and examination of European issues.

As part of this competence and pursuant to Article 7 of the above-mentioned Law, the European Affairs Committee submitted to the Economic Affairs, Innovation and Energy Committee for information and the possible publication of a report (which has been the case) the following legislative initiative:

**COM (2010) 372 Proposal for a Council
Regulation on State aid to facilitate the closure of uncompetitive coal mines
SEC (2010) 850
SEC (2010) 851**

II - Analysis

1. As stated in the above-mentioned document, the mining industry is subsidised and the law that defines this support – Council Regulation (EC) No 1407/2002 of 23 July 2002 on State aid to the coal industry – expires on 31 December 2010.
2. This document states that, in the absence of specific support for the coal industry, Member States may grant aid only within the limits laid down for all sectors. Under these circumstances, there is much less scope for granting aid.
3. However, it also refers to the very high price of Member States' coal production compared to global market prices, which could jeopardise the competitiveness of the coal industry and, together with withdrawal of the aid, put the activities of coal mines at risk.
4. It is estimated that around 100 000 jobs in the EU are linked to the mining industry.
5. This document also mentions that job losses incurred by closing uncompetitive coal



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mines would cause massive unemployment in the regions where they are located, which the local employment markets would have trouble absorbing.

6. In the field of the EU's energy policies, State aid must promote the development of renewable energy sources, foster energy efficiency and the use of indigenous and environmentally sustainable resources.
7. It is in this context that the possible gradual closure of uncompetitive coal mines is being analysed.
8. The mining industry's low competitiveness in Member States, the small contribution of subsidised coal in securing energy provision in the EU and the environmental problems caused by mines and use of coal are all factors in the possible closure of uncompetitive coal mines.
9. In this scenario, the objective of this proposal for a Regulation is to reduce the social and regional consequences and to minimise environmental impact and distortions of the internal market.
10. The objective of this Regulation is to provide Member States with a transitional sector-specific regime in regard to State aid intended to facilitate the closure of uncompetitive coal mines.
11. In addition to the possibilities offered by the general State aid rules, the proposal offers the possibility of declaring two types of aid to the coal industry compatible with the internal market: closure aid and aid to cover exceptional costs.
12. In general, pursuant to the Regulation, closure aid is aid whose objective is to cover the loss of production of uncompetitive coal mines, where definitive closure is planned. Such aid may be granted only to production units already active and must decrease over time.
13. Pursuant to the Regulation, Member States must present a series of energy efficiency measures in order to minimise negative environmental impact.
14. Pursuant to the Regulation in question, this aid aims to cover exceptional costs 'which are not related to current production and which arise in the context of mine closures, such as social and environmental inherited liabilities'. The aid is granted to production units which carry out or have carried out activity linked to coal production.
15. As regards Portugal, the document states that according to the information of the Energy and Geology Directorate-General, there are no coal mines in activity in the country. The existing mines have already been closed, such as the Bezerra mines in the municipality of Porto de Mós, those of Couto Mineiro do Pejão in the municipality of Castelo de Paiva, closed in 1994, or those of São Pedro da Cova. Some of these mines are now tourist sites.
16. As there are no longer any active coal mines in Portugal, this measure has no impact there, however, it is essential that all Member States contribute to a healthier environment and this effort is also rewarded by the creation of a larger number of jobs linked to renewable energies.
17. The objective of this Regulation is thus to provide Member States with a transitional sector-specific regime in regard to State aid intended for the closure of uncompetitive coal mines.
18. The document also states that the amount of coal produced in Europe which is used



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in the generation of electricity is small.

19. Uncompetitive mines receiving aid must have completely closed down by 1 October 2014 as planned and must in the meantime develop strategies to minimise the negative impact of the use and mining of coal.
20. Furthermore, the aid covers allowances, pensions or retraining for workers with a view to facilitating their integration in the employment market.

III - Conclusion

1 This opinion was drawn up pursuant to and in compliance with Law 43/2006 of 25 August 2006 on the *monitoring, examination and pronouncement* by the Assembly of the Republic *on matters relating to the construction of the European Union*.

2 As regards the principle of subsidiarity
This proposal for a Regulation observes and complies with the principle of subsidiarity.

The issues raised do not fall within the legislative remit of the Assembly of the Portuguese Republic, and Article 2 of Law No 43/2006 of 25 August 2006 does not therefore apply.

Opinion

The European Affairs Committee is of the opinion that the scrutiny process has been completed with regard to the initiative under discussion.

Palácio de S. Bento, 6 December 2010

Rapporteur

Carlos São Martinho

President of the Committee

Vitalino Canas



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ECONOMIC AFFAIRS, INNOVATION AND ENERGY COMMITTEE

(to be submitted to the Parliamentary Committee for European Affairs)

Iniciativa Europeia: COM (2010) 372 final

Proposta de Regulamento do Conselho relativo aos auxílios estatais destinados a facilitar o encerramento de minas de carvão não competitivas.

SEC (2010) 850

SEC (2010) 851



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ECONOMIC AFFAIRS, INNOVATION AND ENERGY COMMITTEE

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1. Procedure

1. Pursuant to Article 6 of Law 43/2006 of 25 August 2006 on the monitoring, examination and pronouncement by the Assembly of the Republic on matters relating to the construction of the European Union, the European Affairs Committee is the permanent Parliamentary Committee qualified and competent for the overall monitoring and examination of European issues.
2. As part of this competence and pursuant to Article 7(1) of the above-mentioned Law, the European Affairs Committee submitted on 23 July the proposal for a Council Regulation on State aid to facilitate the closure of uncompetitive coal mines to the Economic Affairs, Innovation and Energy Committee for information and possible issue of an opinion.

2. Framework

1. Council Regulation (EC) No 1407/2002 of 23 July 2002 on State aid to the coal industry expires on 31 December 2010.
2. In the absence of specific support for the coal industry, Member States may allow aid only within the limits laid down for all sectors. Under these circumstances, there is a much less scope for granting aid.
3. However, the price of Member States' coal production is very high compared to global market prices, which could jeopardise the competitiveness of the coal industry and, together with withdrawal of the aid, put the activities of coal mines at risk.
4. It is estimated that around 100 000 jobs in the EU are linked to the mining industry (42 000 directly and 55 000 in related sectors). The countries with the most miners are Germany, Spain, Romania, Hungary and Slovenia.
5. The impact of the possible closure of uncompetitive coal mines must be analysed from different perspectives.
6. The job losses incurred by closing uncompetitive coal mines would cause massive unemployment in the regions where they are located, which the local employment markets would have trouble absorbing.
7. Although it is difficult to assess environmental impact, reference must be made to the emission of greenhouse gases, such as methane, caused by mining activities and to the CO₂ released during coal combustion when producing energy. Furthermore, from an environmental perspective, precautions must be taken against landslides in underground galleries, pollution of groundwater and the visual impact in terms of biodiversity.
8. Another aspect of the analysis relates to security of supply. Subsidised coal contributes to the production of 5.1% of the EU's energy but, taking into account coverage of production losses, this figure is only 1.4%. It seems unlikely that coal will run out.
9. Under the EU's energy policies, State aid must promote the development of renewable energy sources, foster energy efficiency and the use of indigenous and environmentally sustainable resources.
10. It is in this context that the possible gradual closure of uncompetitive coal mines is being analysed.



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3. Objective of the initiative

3.1. Reasons

1. The coal industry is subsidised and the law which defines this support – Council Regulation (EC) No 1407/2002 of 23 July 2002 on State aid to the coal industry – expires on 31 December 2010.

The mining industry's low competitiveness in Member States, the small contribution of subsidised coal in securing energy provision in the EU and the environmental problems caused by mines and use of coal are all factors in the possible closure of uncompetitive coal mines.

In this scenario, the objective of this proposal for a Regulation is to reduce the social and regional consequences and to minimise environmental impact and distortions of the internal market.

3.2. Description of the objective

1. The objective of this Regulation is to provide Member States with a transitional sector-specific regime, in regard to State aid intended to facilitate the closure of uncompetitive coal mines.
2. In addition to the possibilities offered by the general State aid rules, the proposal offers the possibility of declaring two types of aid to the coal industry compatible with the internal market: closure aid and aid to cover exceptional costs.
3. In general, pursuant to the Regulation, closure aid is aid whose objective is to cover the loss of production of uncompetitive coal mines, where definitive closure is planned. Such aid may be granted only to production units already active and must decrease over time.
4. Pursuant to the Regulation, Member States must submit a series of energy efficiency measures in order to minimise negative environmental impact.
5. If a production unit is not closed on the planned date, the Member State shall recover all the aid granted.
6. Pursuant to the Regulation in question, this aid aims to cover exceptional costs 'which are not related to current production and which arise in the context of mine closures, such as social and environmental inherited liabilities'. The aid is granted to production units which carry out or have carried out an activity linked to coal production.
7. As regards the maximum authorised amount, the Regulation provides that it may be applied regardless of whether it results exclusively from State aid or is partially funded by the European Union. However, pursuant to the proposal for a Regulation, the aid granted cannot be combined with any other Community support if this results in a higher amount than that planned.

3.3 Situation in Portugal

1. According to the information of the Energy and Geology Directorate-General, there are



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no coal mines in activity in Portugal. The existing mines have already been closed, such as the Bezerra mines in the municipality of Porto de Mós, those of Couto Mineiro do Pejão in the municipality of Castelo de Paiva, closed in 1994, or those of São Pedro da Cova. Some of these mines are now tourist sites.

2. Over the past decade, Portugal has been carrying out the environmental recovery of the inactive coal mines. By Decree Law No 198-A/2001 of 6 July 2001 a concession contract was concluded between the State and the EDM (*Empresa de Desenvolvimento Mineiro* – Mining Development Company) for the environmental recovery of abandoned mining areas, which includes its specification, environmental and landscape recovery and environmental monitoring. The volume of investment between 2000 and 2009 came to €43.3 million.
3. Ensuring security in abandoned mines was covered by a protocol concluded with the same company in 2007 and the €1.7 million investment included the following measures: fencing off areas, sealing or filling mining shafts, demolishing the old underground structures, closing down any remaining structures, etc.
4. Almost all the coal imported by Portugal is used to produce electricity. Despite not being the thermal source with the highest concentration in the production mix, coal is the main source of CO₂ emissions, producing 9 million tons in 2008.
5. Portugal has substantially invested in renewable, clean and sustainable energies, which has reduced the use of coal in electricity production. In June 2009, coal consumption fell by 36.3% compared to same period in the previous year. This trend follows the fall in the consumption of fossil fuels, which has significantly contributed to reducing our energy dependency.

4. Regulatory context

1. Pursuant to Article 9, this Regulation will come into force on the 20th day following its publication in the Official Journal of the European Union and all its provisions will be binding and directly applicable in all Member States.
2. This Regulation shall apply from 1 January 2011. It shall expire on 31 December 2026.

5. Observance of the principles of subsidiarity and proportionality

1. Under Article 5 of the Treaty on the European Union 'the use of Union competences is governed by the principles of subsidiarity and proportionality'. 'The Union shall act only within the limits of the competences conferred upon it by the Member States in the Treaties to attain the objectives set out therein. Competences not conferred upon the Union in the Treaties remain with the Member States.'
2. This Regulation concerns State aid to companies in the context of the closure of uncompetitive coal mines. It observes the principles of subsidiarity and proportionality.



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6. Opinion of the Rapporteur

1. The EU's political strategy as regards use of renewable energies is essential to reduce our external energy dependency, fight climate change and protect the environment. However, throughout the EU, the energy sector is a factor in development, economic growth and job creation.
2. Reducing the emission of greenhouse gases must be one of the priorities of our States, and in the present context, use of coal must be gradually reduced given it is not a clean source of energy. Coal is responsible for both methane and CO₂ emissions.
3. Portugal has clearly invested in renewable, clean and sustainable energy sources, and is thus among the best performers at international level, as should be all the Member States.
4. The impact of closing uncompetitive coal mines in the present unfavourable international climate leads to increased difficulties. These planned closures must therefore be gradual and provide the necessary social support.
5. As there are no longer any active coal mines in Portugal, this measure has no impact there; it is, however, essential that all Member States contribute to a healthier environment and this effort is also rewarded by the creation of a larger number of jobs linked to renewable energies.

7. Conclusions

1. The objective of this Regulation is to provide Member States with a transitional sector-specific regime in regard to State aid intended for the closure of uncompetitive coal mines.
2. The amount of coal produced in Europe which is used in the production of electricity is small. The contribution of subsidised coal is not necessary to ensure security of supply and its use is responsible for greenhouse gas emissions.
3. Uncompetitive mines receiving aid must have completely closed down by 1 October 2014 as planned and must in the meantime develop strategies to minimise the negative impact of the use and mining of coal.
4. The aid covers allowances, pensions or retraining for workers with a view to facilitating integration in the employment market.

8. Opinion

In view of the conclusions and having no objections, the Parliamentary Committee on Economic Affairs, Innovation and Energy submits this report to the Parliamentary Committee on European Affairs for assessment, pursuant to Law No 943/2006 of 25 August 2006.



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