



# REPORT

1

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## Energy for Europe: Challenges and solutions



Paweł Olechnowicz

By Paweł Olechnowicz

Political tensions in Central Europe visibly influence the attitudes of the Member States and leaders of European Union institutions, regarding the basic question of energy security. The issue has been discussed for quite some time, but now it seems to be moving towards long-term decisions. The challenges are known and complex

solutions need to be worked on.

The Polish Prime Minister, Mr. Donald Tusk's proposal for a European Energy Union is a clear sign of that process receiving due urgency and momentum. In my opinion, as the leader of a major oil company, it is one of the most important political statements, referring to energy strategy for the European continent, that has publicly ever been made. It identifies existing problems and suggests the ways to go to resolve them.

The Prime Minister of Poland announced a six-point programme for debate and the future implementation of the agreed agenda, to deal with all the major challenges in securing safe and stable energy supplies for Europe. I am very pleased to note that the framework outlined by Mr. Tusk, refers

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 JOAQUÍN ALMUNIA TALKS TO MAREK ORZECHOWSKI

Competition matters for the EU's Commissioner for Competition !

**Marek Orzechowski (MO): How important is the competition in the energy sector for the security of supply?**

Joaquín Almunia (JA): A more integrated and competitive internal market can make an important contribution to the security of supply. One of its ingredients is the enforcement of EU anti-trust rules, which prohibit anticompetitive agreements and abuses by dominant companies. These rules aim to preserve a 'level-playing field' for operators in the Single Market. They also help to prevent operators from building barriers preventing market integration or the diversification of sources of supply. Another component of competition policy is State Aid control. On the 9th of April, the Commission adopted its guidelines on what aid Member States can provide to the energy sector for the period 2014-2020. The guidelines supports the EU's energy and climate objectives, and stress that subsidies create distortions of competition in the Single Market. They include provisions to facilitate public

see page 3. &gt;&gt;&gt;

# Energy for Europe: Challenges and solutions

>>> CONTINUATION from p.1

to a number of vital points presented at international conferences and meetings co-organised by Central Europe Energy Partners (CEEP), as well as reflecting CEEP members' views and needs which have been signalled on a number of occasions. We are truly satisfied that a major political figure in our region has considered the views and ideas of industry in outlining the problem, and suggesting the ways and means for their successful resolution. Leveraging the purchasing power of the EU would obviously contribute towards better, more stable relations between suppliers and consumers of gas and oil, thus stabilising the international market. This is particularly important for gas supplies, which are in Europe, dependent on a small number of suppliers and similarly sparse gas transmission pipelines.

I understand that a political element is usually part of the overall picture of pricing and supplying gas to end users. Realistically thinking, it will always be a factor to be reckoned with, but with a strong, professionally induced stability of the market, price and supply volatility will be reduced. We all know full well that predictability and transparency serve the market and enhance energy security, whilst fluctuating, unpredictable movements damage it.

Using the collective purchasing power of Euro-

pean states, will certainly help to stabilise the price structure and bring much needed equilibrium to the market. Solidarity of the EU Member States should be 'the name of the game' for negotiating gas supplies. Soon, Poland will celebrate the 25th anniversary of the dismantling of the communist system by the Polish Solidarity movement. Solidarity means power; it promotes reason and responsibility. Let's use that experience for our future needs.

European investment in the energy sector should not only enhance energy security, but also turn a United Europe into a more competitive and modern manufacturing area. Energy prices in Europe are much higher than they should be. If we all start working together towards more affordable energy, prices will come down, especially when all roads are explored and common solutions are found. The energy industry is certainly eager and willing to take part in a modernisation process for both energy production and fuel supplies, including renewable energy resources. The basic condition for that process to be successful is to set up realistic targets for CO<sub>2</sub> emission reductions, in strong correlation with European industrial competitiveness, economic growth, and the creation of new jobs. I may be slightly too optimistic, but I think that we have arrived

at the right time to really talk business about these strategic, and other vital issues.

This is particularly important within the context of CO<sub>2</sub> emission reduction targets introduced by the EU Commission and geared to 2020. A majority of EU countries will fulfil them, including Poland. It is with respect to the longer-term perspective for 2030 that, European solidarity should be put in motion in this very area. I don't think that any company or industrial sector, or even a country, would be willing to flout the emission targets owing to some lack of internal procedures, or simply saving on the investment costs in the best available CO<sub>2</sub> reduction technologies. The stakes are too high: keeping jobs, producing GDP growth, and making sure that energy supplies are both secure and affordable.

Indigenous energy sources should remain an important component of the European energy-mix, for as long as it takes for renewable energy to become competitive and abundant.

Shale gas prospecting and extraction is another area in which European solidarity should be seen as universally binding. This requires new technology, and so far relatively little experience has been garnered in Europe, on using it on a large scale. However, that should not

mean rigid legal limits, which would effectively kill the economic attractiveness of this new source of gas supply. We can expect the US authorities to be more open to the idea, not only of selling their LNG to Europe, but at a price level prevailing in the EU. This will obviously help to diversify the sources of supply, but will not solve the European gas problem. We have to join the shale gas revolution. The sooner we do it, the more impact it will have on the European gas balance, the security of supplies, and overall economic growth.

The Polish Prime Minister, Mr. Donald Tusk's idea of a European Energy Union is both timely and important. It should trigger the flow of political and business ideas. I hope that we will progress quickly and effectively towards a united energy system in Europe, which will combine the best policy solutions and industry's experience. When that happens, it will send a strong signal globally, that having a stable and sustainable energy supply system benefits everybody: the suppliers, the users, and the world at large.

**Paweł Olechnowicz**  
Chairman of the Board of Directors, CEEP  
President and CEO of Grupa LOTOS S.A.

# Competition matters for the EU's Commissioner for Competition !

>>> CONTINUATION from p.1

support for energy infrastructure, such as cross-border inter-connectors, which can play an important role in the quest for security of supply. They will also allow Member States to put in place support mechanisms to ensure adequate generation capacity, if there are no alternatives, and provided that certain conditions are met.

**(MO): Is energy production in EU countries competitive with other global regions?**

**(JA):** The EU needs to both continue efforts to fight climate change, and to ensure that companies and citizens have access to affordable energy. Of course, developments in other regions, such as the shale gas revolution in the US, pose a significant challenge to the EU – in particular, for the competitiveness of certain industries. To avoid the risk of a relocation of activities outside Europe, in areas which do not have the same environmental standards, it may be necessary and justifiable to exempt energy-intensive companies, in certain sectors, from part of the costs of financing renewable energy sources. The criteria under which such reductions can be granted are specified by the State Aid guidelines, which set a common EU framework for such reductions, avoiding subsidy races between Member States.

**(MO): In the European Union, we have different energy prices,**



**and consequently, different impacts on the competitiveness of industry. Is it possible to unify these prices? And if so, is this necessary?**

**(JA):** We need to remove the existing barriers and build a genuine internal energy market. A truly integrated market will enable us to achieve our policy objectives on climate change and security of supply, whilst ensuring affordable prices for house-

holds and companies. In my view, energy is one of the key areas – along with telecoms and the services sector – where we really need a push towards more EU integration. One of the issues I am dealing with - as the Commissioner for Competition - is the impact on public support for renewables. The feed-in tariffs put in place in many Member States have allowed the EU to make progress towards our 2020 objectives, but they also have significant costs for users and an impact on wholesale electricity prices. This has created competition distortions in the Single Market. We need to reduce these distortions, by moving towards more modern and efficient mechanisms, to gradually integrate renewable energy sources into the market.

**(MO): Would it be possible for the EU to negotiate, for instance, with Gazprom, on behalf of all EU Member States receiving Russian gas, so that all EU countries pay the same price?**

**(JA):** This is not what the Commission's investigation is about: in the ongoing investigation, we are examining the behaviour of Gazprom, from the point of view of anti-trust rules, with which all companies in the Single Market have to comply. One of these rules is that companies dominating the market should not abuse that position. It is in this context that we are looking at certain contractual clauses between Gazprom and its customers, such as territorial restrictions, as well as Gazprom's pricing policy.

# Competition matters for the EU's Commissioner for Competition !

>>> CONTINUATION from p.3

**(MO): Does the situation in Germany – ‘Energiewende’ – pose some special problems in the area of competitiveness for energy prices in the EU?**

(JA): Germany is implementing an ambitious programme. Each Member State of the EU is free to choose its own energy-mix, and Germany has chosen to phase out nuclear energy. Given the cost of renewable support for users, I think it is legitimate that some sectors, where there is a genuine risk of a relocation of activities, because of so-called “carbon leakage”, are partially exempted. However, this has to be done in a common EU framework to avoid distortions in the Single Market. This is why we introduce criteria in the State Aid guidelines. On the other hand, renewable support schemes, not only in Germany, but in all EU Member States, must be made more cost-effective and market-based. This will limit distortions of competition, which can negatively affect companies, not only from the same Member State, but also in neighbouring countries, and this will also ensure citizens and companies do not pay more than they should.

**(MO): Do you have, Commissioner, any tools/means at your disposal to help achieve a single energy market in the EU?**

(JA): Competition policy is about fighting anti-competitive behaviour, whether through illegal agreements or abuses. As it promotes competition, it has helped to open up national energy markets in the EU. A number of anti-trust investigations concerning gas and electricity incumbents in several Member States, have avoided foreclosure of competitors through long-term contracts, and opened up infrastructure access to third parties. Indeed, anti-trust rules ensure that the barriers within the EU, which are removed through regulatory means, are not replaced by barriers created by companies themselves, through anti-competitive behaviour. For example, a few weeks ago, the Commission sanctioned a number of power exchanges. The Romanian power exchange, OPCOM, discriminated against traders from other EU Member States, creating an artificial barrier to market entry, and reducing liquidity on this market. In another decision, we sanctioned the two leading European spot power exchanges, EPEX Spot and Nord Pool Spot, because they had mutually agreed not to compete with each other, in particular, by allocating territories between themselves. EU State Aid control also encourages Member States to grant the right kind of subsidies, designed in such a way that they will not create distortions, and will help achieve EU objectives, for example, in the fields of cross-border infrastructure and climate change.

**(MO): Central European countries have specific energy problems: e.g. reliance on coal, old infrastructure, and a strong dependence on suppliers from Russia. What can the EU do to improve the competitiveness of energy in this area?**

(JA): I think more must be done to integrate markets in the entire EU, and build a genuine internal energy market that allows electricity and gas to flow where it is needed. Such EU integration will be the key to achieving our common objectives of improving the security of supply, moving towards a low-carbon economy, and preserving competitiveness. Infrastructures must also be modernised. The Commission adopted a list of 248 projects of common interest last October – most of which, are in the fields of electricity, gas transmission, and storage. Completing these infrastructure projects should be a priority.

**Joaquín Almunia**

is a Spanish politician and a prominent member of the European Commission, currently responsible for competition, as well as being Vice-President, under the second mandate of President Barroso. He was previously responsible for economic and monetary affairs in Barroso's first Presidential term.

# European Energy Union - A Step in the Right Direction



Friedbert Pflüger

By Friedbert Pflüger

I salute Polish Prime Minister Tusk's call for a European energy union as a means to increase energy security in Europe. During a visit at the Husów facility in Silesia – which is part of Poland's expanding gas storage – Mr. Tusk stressed the need for enhanced efforts

towards energy diversification for Poland and the entire EU and vowed to commence diplomatic efforts to this end. I believe that recent developments in Ukraine only reinforce the need for such a concerted European effort in order to face emerging strategic challenges. Energy companies from Central Europe need to be part of that effort.

In his speech, Mr. Tusk presented six goals of the envisaged European energy union: conducting joint negotiations with outside energy suppliers, enhancing solidarity mechanisms, improving energy infrastructure, making full use of fossil fuel sources available in Europe, diversifying oil and gas imports, and contributing to the energy security of EU neighbours. These keystones are important aims and I am confident that an energy union will contribute to improving European energy security without being directed

against partnerships with countries outside of the EU – despite diversification, Russian resources will remain essential for covering the European energy demand for years to come.

Poland has already heavily invested in energy security. Over the last seven years, Poland committed several billion Euro to gas storage facilities, interconnectors, the construction of the Świnoujście LNG terminal and the expansion of domestic production – including shale gas. Promoting similar measures on a European level as part of an energy union is essential for strengthening Europe and securing its energy future. ☺

**Prof. Dr. Phil. Friedbert Pflüger**

Professor of International Relations at the tradition-rich British university King's College London and the Director of the European Centre for Energy and Resource Security (EUCERS).



# Agreement between Polish (PSE) and German (50Hertz)

TRANSMISSION SYSTEM OPERATORS ON PHASE SHIFTING TRANSFORMERS MARKS AN IMPORTANT STEP TOWARDS COMPLETION OF THE EUROPEAN ENERGY MARKET



Henryk Majchrzak



Boris Schucht

By Henryk Majchrzak and Boris Schucht

Polish Transmission System Operator (TSO) PSE (Polskie Sieci Elektroenergetyczne S.A.) and German TSO 50Hertz Transmission GmbH, recently signed an Agreement on the operation of Phase Shifting Transformers and the initiation of the op-

erational phase of the virtual Phase Shifting Transformer (PST Agreement). Marking the successful conclusion to an intensive negotiation process, the PST Agreement outlines the principles of bilateral co-operation to mitigate the negative impacts of unplanned power flows, enable secure system operation, and increase transfer capacities between Germany and Poland.

Discussions on a suitable solution to improve the control over unplanned power flows between PSE and 50Hertz were initiated in mid-2012, leading to a pilot agreement on a virtual Phase Shifting Transformer (vPST Pilot) on the German-Polish border, lasting from the 8th of January until the 30th of April, 2013. The vPST mechanism is a special cross-border re-dispatching regime, complementing the set of existing operational measures available to 50Hertz and PSE. The vPST pilot showed that these measures, although mostly effective, could not always ensure secure operation of the interconnected power systems. Subsequently, both TSOs agreed upon the necessity of installing physical Phase Shifting Transformers (pPSTs) at the German-Polish border, whereas the vPST is considered as a complementary mechanism to be used in the period before the pPSTs are installed, and when the technical regulation abilities of the pPSTs are exhausted.

The findings of the vPST Pilot enabled both TSOs to prepare a coherent set of measures to jointly tackle the negative impacts of the unplanned power flows. Key elements of the PST Agreement include: (i). implementation of the operational phase of the vPST mechanism, (ii). co-ordinated installation of pPSTs on the German-Polish border, and (iii). principles of pPST opera-

# Agreement between Polish (PSE) and German (50Hertz)

>>> CONTINUATION from p.6

tion in different system conditions. According to the PST Agreement, PSE commits to install pPSTs in the Mikułowa sub-station to control power flows on the cross-border line, Mikułowa-Hagenwerder (planned for December 2015), while 50Hertz commits to install pPSTs in the Vierraden sub-station to control power flows on the cross-border line, Vierraden-Krajnik (planned for October 2017). Once pPSTs are installed at the German-Polish border, the amount of necessary additional, operational, re-dispatching measures is expected to drop significantly.

The PST Agreement kicks-off the operational phase of the vPST, which started on the 18th of March, 2014. It defines new principles for the operation of cross-border lines between Poland and Germany, by setting the limits for a maximum acceptable level of power flows between the two power systems. Currently, these limits are set to 1,600 MW (winter period) and 1,300 MW (summer period), and are to be periodically revised, in line with the expected network development. In cases where the actual physical flows exceed these limits, or such a risk is identified during the operational planning process, leading to insecure operation on the interfaces between the Polish and German power systems, PSE and 50Hertz will jointly implement remedial measures. First and foremost, 50Hertz and PSE intend to use operational planning processes developed under the TSO Security Co-operation (TSC), e.g. Day-Ahead Congestion Forecasts

(Dacf) and Intraday Congestion Forecasts (IDCF), to facilitate the decision-making process on optimal, remedial measures, as well as future pPST operation. The Dacf process allows for relevant unit commitment decisions taken a day-ahead, while the IDCF process will enable final decisions on applying re-dispatch (or, in the future, finding the optimal PST settings) just one hour before the (N-1)-unsecured operation is expected.

The cost sharing regime for remedial measures in the framework of the vPST is designed to incentivise each TSO to manage its power systems, in such a way as to avoid negative influences on the neighbouring power system, or at least to minimise these to the possible extent, whereby such influences cannot be avoided. The regime ensures that the TSO, burdened by unplanned flows which are not caused by its own cross-border capacity calculation and allocation mechanism, pays a lower share for remedial measures. When determining the cost-sharing key for a particular remedial measure, the vPST mechanism verifies whether the net commercial electricity exchange from one system to another is below 500 MW, which suggests that the excess physical flow was not caused by trading activities on that border.

The PST Agreement elevates the co-operation between PSE and 50Hertz to a new level, setting an example for cross-border TSO co-operation. It shows that through close collaboration with

the commitment to tackle challenges, the TSOs can overcome differences and strike constructive compromises. Both TSOs are of the opinion that this important step in improving the co-ordinated operation of interconnected systems, will pave the way to limit the negative effects of unplanned cross-border power flows in Central Eastern Europe, to increase overall security of the system's operation, and to raise the level of exchange capacities. There are still many challenges on the road to completing the Internal Electricity Market in Europe. However, encouraged by the co-operation to date, PSE and 50Hertz are looking forward to playing an active role in future developments concerning co-ordinated power system operation and cross-border capacity allocation in Europe. ☺

You can find more information on the vPST Pilot in the common report:  
<http://www.50hertz.com/en/114.htm>

**Henryk Majchrzak**  
PhD, President of the Management Board of PSE S.A., Poland

**Boris Schucht**  
Chief Executive Officer (CEO) of 50Hertz, Germany

# The 23<sup>rd</sup> Round Table on Coal: 'A Long Way Come, A Long Way To Go'



Jakub Bednarczyk

By Jakub Bednarczyk

The 23<sup>rd</sup> Round Table on Coal was held on the 19th of March, at the European Parliament, in

Brussels. This unique initiative, which was established by Dr. Christian Ehler and Bogdan Marcinkiewicz, Members of the European Parliament, was organised with the co-operation of Central Europe Energy Partners (CEEP), together with the European Association for Coal and Lignite, EURACOAL. This meeting of the Round Table was the last one in this term of the European Parliament. From the organisers' point of view, it was very important to use the opportunity to draw the attention of the coal industry, Members of the European Parliament, and many distinguished figures from the energy world as well as academics to show, what is vital in any future policy approach to coal.

The key guest speaker at the event was Dominique Ristori, the European Commission's new Director-General for Energy, who has recently replaced Philip Lowe. At the end of the proceedings, CEEP and EURACOAL introduced, and handed over, to Mr. Ristori, a joint position paper: 'An Action Plan for Coal in the 21st Century' (the full version of the docu-

ment is available at the bottom of the article), which describes what the European Union's future approach to coal should be, and is aimed at presenting the possibility for a new dimension of coal industry policy for the foreseeable future.

Starting the debate, Christian Ehler pointed out that the issue of technological differences of industries in Eastern and Western European countries, and the scope of their efficient functioning, are key factors behind a Member State's competitiveness. To provide a common EU approach to the reduction of CO<sub>2</sub> emissions, clean technologies should be welcomed by policy-makers, and this means that the use of coal should not be viewed as a contradiction to them. He also raised the issue of the EU's energy security, which has become crucial, especially in light of the current political crisis in the Ukraine. He publicly admitted though, that the common efforts of creating a balanced energy-mix will result in increasing the energy security of the EU.

Bogdan Marcinkiewicz stressed that although

the energy security of EU has recently been increased (e.g. by developing the interconnectors), there is still a lot of work to do. He declared that 2009 was a lesson for all of us, when the Russian pipelines were shut down, and once again, we were reminded just how vulnerable, insecure, and dependent Europe is, when it comes to energy supplies by Russia. Mr. Marcinkiewicz also addressed the subject of funds which are spent on the direct reduction of CO<sub>2</sub> emissions (Euro 1.18 billion). In his opinion they could be spent on increasing industry's efficiency, via, for instance, highly-efficient coal-fired power stations. This will vastly reduce emissions too; and by improving the efficiency of coal-fired power generation, all sides will benefit.

The keynote speaker, Dominique Ristori, Director-General in DG Energy, though echoing the previously expressed views about energy security, emphasized the issue of competitiveness, which he felt should be at the top of Europe's political priorities. Mr. Ristori also added that improving infrastructure is a long-term goal,

# The 23<sup>rd</sup> Round Table on Coal: 'A Long Way Come, A Long Way To Go'

>>> CONTINUATION from p.8

which is obviously not easy to achieve in the short-run. The Director-General remarked that decreasing CO<sub>2</sub> emissions by 20% by 2020 is an important goal, but urged more realism, bearing in mind the current political and economic situations of all Member States, a point that CEEP has often urged upon the EU. He acknowledged the point that coal has become cleaner in the EU, but bemoaned the fact that not all parties are aware of this. His words were even more encouraging to those present, when he called for a new approach to energy and climate issues, as well as for progressive elimination of all unjustified subsidies.

Mr. Ristori informed all participants that they could soon expect a presentation of the new proposals regarding energy efficiency (efficient buildings, transportation, building and storage), as well as support for new-grid technologies, using innovation. In the process of balancing the security of supply and competitiveness, he proclaimed that efficient governance plays a crucial role, and that EUR 23 bil-

lion will be invested in order to help Member States and regions to implement new projects. In order to show its leadership against a backdrop of global energy issues, the EU should consider all of its possible resources, especially when coal accounts for the largest share, observing that, "in Poland, more than 80% of electricity is generated by coal". On the matter of developing CCS, he asserted that improving efficiency, investments and public-private co-operation, are of key importance. Co-operation will strengthen the EU's international market presence and competitiveness. "Energy efficiency development is our next priority, if we are to be competitive in the world market", Mr. Ristori concluded.

During the discussion, the main participants were: Paweł Smoleń, President of EURACOAL; Bogdan Janicki, Senior Adviser at CEEP; Surojit Ghosh, Country Manager, and Member of the Board of Directors of ArcelorMittal; Adam Gierek and Roger Helmer, MEPs.

The participants of the debate firmly argued

that the promotion of common sense EU energy problems should be our main aim. Coal cannot be abandoned in the short-run, because it is the backbone of electricity production. That is why we all have to remember that stopping the use of coal will have a huge negative impact, not only on enterprises, but also on consumers, as it will place big burdens on fuel costs (renewables are extremely expensive). It was pointed out that CO<sub>2</sub> emission reduction targets are ambitious, and should be more realistic and balanced, bearing in mind the rising prices of energy. Now is the time for more pragmatic discussions in terms of energy prices, and acknowledging the fact that indigenous resources are always more important than imports. A well balanced energy-mix will bring more competitiveness, efficiency and security, and coal can clearly contribute its share and role in this.

The participants also stressed that industrialisation is needed, and very important for the sustainable development of Europe. Raising

the energy efficiency of industries is imperative, and in that sense, coal should still be considered as a major source, for example, for the steel industry. That's why more policies supporting the usage of coal on the EU level should be introduced, and for the major energy-intensive industries, such as steel, energy costs lie at the core of energy competitiveness and efficiency. Therefore, this becomes a vital question for the steel industry: should it close down in the EU and transfer itself to non-EU countries, in order to continue operations based on cheaper energy, thanks to coal? ☺

A copy of the paper 'An Action Plan for Coal in the 21st Century' follows.

**Jakub Bednarczyk**

Expert in energy issues. In 2010, he started working in the Energy Regulatory Office. Three years later, he took up a position of a specialist with Grupa LOTOS.

19 MARCH 2014

# An Action Plan for Coal in the 21<sup>st</sup> Century

On the occasion of the 23rd European Round Table on Coal in the European Parliament, the European Association for Coal and Lignite and the Central Europe Energy Partners call on the European Commission to work together with the coal industry on an “Action Plan for Coal” for the following reasons:

- Coal was the very cornerstone of European integration – the union began in 1952 with the European Coal and Steel Community (ECSC). Coal not only has a glorious past, but can have a glorious future. Today, coal accounts for over one quarter of electricity generation in the EU: 27% of our electricity comes from coal. In Member States with rich coal deposits the share is naturally higher: 86% in the case of Poland. Such differences between Member States gave rise to the principle of energy subsidiarity in the EU treaties. All forecasts show that coal will continue to be an important source of energy in the future. Elsewhere in the world, coal is even more important: 42% of global electricity supply comes from coal, a share that is rising. Moreover, coal is an indispensable raw material for the production of steel, cement and fertilisers.
- Coal is abundant, affordable and available: in the EU, 88% of our energy reserves lie in the coal beds beneath our feet and coal is available from a well-functioning interna-

tional market with similar prices around the world. In 2012, we spent €548 billion on fossil energy imports – equivalent to 4.2% of GDP and up from just 1.5% in 2002 (Eurostat DS-018995, 15.01.14). Oil and gas imports accounted for 96% of this bill, with a rather small number of exporters dominating the gas market. Instead of letting this wealth leave the EU, we should maximise the exploitation of our competitive indigenous coal resources. The remaining potential (reserves + resources) of European coal far exceeds the remaining potential of oil and gas in the Middle East and its exploitation carries no geopolitical risk.

- Coal provides competitive energy: without inter-fuel competition from coal, industrial, commercial and residential consumers would face even higher heat and power prices. Exporters of gas to the EU could and would increase their prices without limit if there was no competition from coal. And competitiveness matters – many of our international competitors enjoy lower energy prices which gives them a fundamental comparative advantage.
- Coal underpins reliable power generation 24/7: given the intermittency of renewables, coal will be needed for many decades to come to ensure supply security during the energy transition. On a dark, windless night, the only

source of power is from conventional power plants – coal, gas and nuclear. 100% backup is needed for all wind and solar projects which makes these useful supplementary sources of energy, but not the reliable sources needed to fuel modern life.

- Coal has become much cleaner in Europe over recent decades: emissions of all pollutants were reduced dramatically as a result of an ambitious clean air policy under the Air Quality Framework Directive. Europe is at the forefront in this respect and new coal technologies using best available techniques (BAT) can contribute to further improvements.
- The newest coal-fired power plants are very efficient, every bit as flexible as gas-fired power plants and fitted with emission control equipment that almost eliminates emissions of dust, sulphur and NOx. CO<sub>2</sub> emissions are 30% lower and can be as much as 40% lower than the old plants that they replace – and clean coal technologies continue to improve. The investment that is needed to reap these benefits is taking place in some Member States, but not all, as public banks have unreasonably tightened their lending rules, even for projects using the latest technologies with substantially lower CO<sub>2</sub> emissions. Where there



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19 MARCH 2014

# An Action Plan for Coal in the 21<sup>st</sup> Century

>>> CONTINUATION from p.10

is pollution from coal, not so much in Europe but more in developing Asia, it often comes from small-scale users, for example poorer households and unprofessional businesses. These should be encouraged to use smokeless solid fuels or provided with alternatives such as modern district heating.

- Coal offers quality jobs and wealth creation: coal is a large and mature industry that employs over one quarter of a million people in well-paid jobs in the EU, and many more at the suppliers of equipment, materials and services.

Despite the above, the future of coal in Europe is challenged by over-ambitious climate policies. To solve the global climate challenge requires the deployment, on a massive scale, of all low-emission technologies. The modernisation and renewal of existing coal-fired power plants is a very practical and affordable first step using available technology. This would deliver CO<sub>2</sub> emission reductions very quickly across the EU today, without the need for public subsidy. Beyond that, Europe is home to some of the



**EURACOAL**  
European Association  
for Coal and Lignite  
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world's most advanced power plant equipment suppliers who are developing even more efficient clean coal technologies for tomorrow. Unfortunately, the EU has fallen behind with its programme to demonstrate carbon capture and storage which will be progressively needed in the coming decades. All this needs to be addressed urgently within a framework that recognises the value of coal in Europe's energy mix. An "Action Plan for Coal" is proposed with input from the European Commission and industry. The plan should address how coal can contribute to secure, sustainable and affordable energy in the EU. It should offer a pragmatic route forward for the industry and provide a balance to those who promote ideological solutions that would see the de-industrialisation of Europe, an economically weak Union and a politically irrelevant actor on the world stage. There is much at stake in the energy debate and an "Action Plan for Coal" would focus attention on the practical steps that the EU can take to contribute to a better life for its citizens and those in developing economies such as China and India. ☺

# ENERGY DIALOGUE AT THE REICHSTAG



By Arash Duero

The 47th Energy Dialogue at the Reichstag - at the invitation of Prof. Dr. Friedbert Pflüger, Janusz Reiter, and Central Europe Energy Partners (CEEP) – discussed Germany's 'Energiewende', the Renewable Energy Act (EEG), and capacity markets. The panel discussion was held on March 21st, 2014.

Mr. Ulrich Grillo, President of the Federation of German Industries (BDI), opened the session by stating that the 'Energiewende' can only succeed if Germany retains its economic competitiveness. He warned the audience that the country is slowly starting to lose its competitiveness due to increasingly higher electricity prices relative to other countries. He further pointed out that a gradual de-industrialisation in Germany is evident, as more and more energy-intensive companies are electing to invest in foreign markets with lower energy prices. To counter this trend, Mr. Grillo suggested comprehensively revising the EEG to reduce the amount of subsidies for renewa-

bles, which would have the immediate effect of driving down electricity costs and boosting competitiveness. He also advocated speeding up the process of direct marketing for renewable energy sources, as well as introducing measures to secure conventional back-up power capacity.

Mr. Michael Vassiliadis, Chairman of IG Bergbau, Chemie, und Energie, agreed with Mr. Grillo that the 'Energiewende' can still succeed, but only if Germany's industrial competitiveness as well as public acceptance for the project can be maintained. He said that the goals of Germany's energy transition remain unclear and hopes that the new coalition government sets clear, strategic objectives. Mr. Vassiliadis also proclaimed that the current public and political debate revolving around the 'Energiewende' is not nuanced enough and lacks scope due to the absence of differing interests and opinions. Finally, he concluded that he supports the 'Energiewende', but strongly opposes the direction it has taken over the past few years. ☺

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