

# Coal in the European Union

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Presentation to the European Parliament  
Committee on Industry, Research and  
Energy

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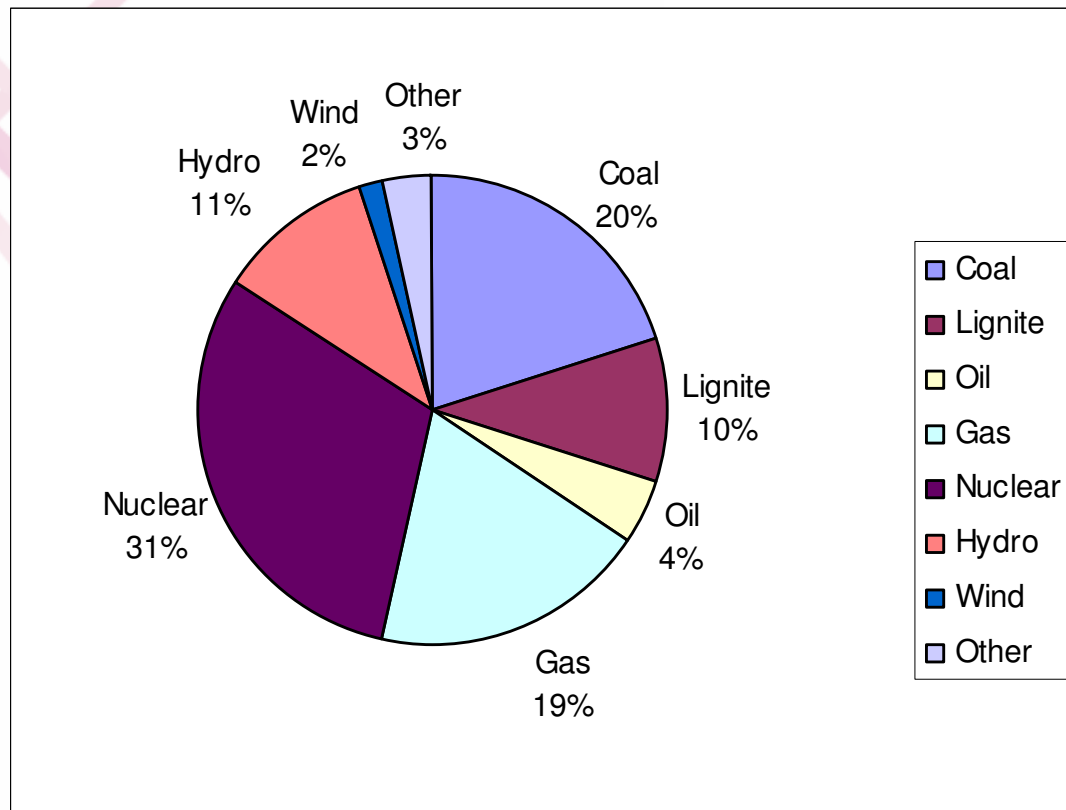
# The role of coal

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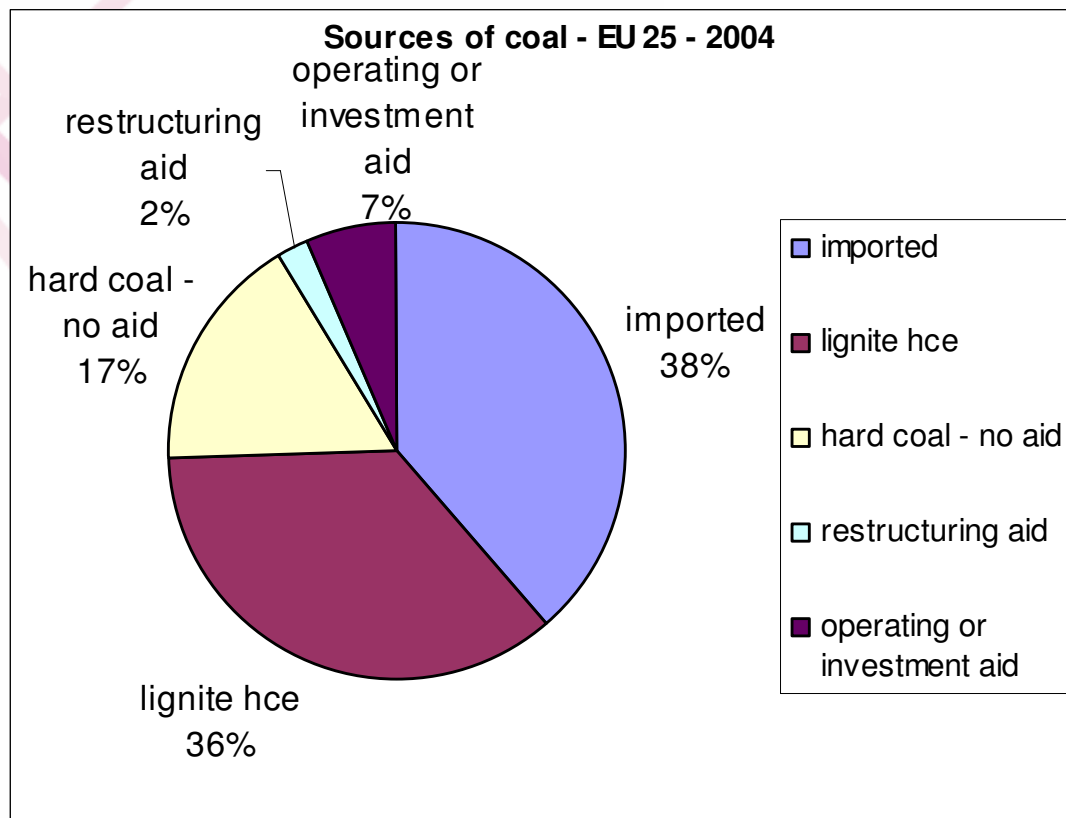
- The EU uses over 400m tonnes of hard coal each year and 360m tonnes of lignite.
- Bulk of consumption is for electricity generation. Coal fired generation accounts for about 30% of EU electricity. Coal share will fall up to 2020 but not greatly.
- About 40% of coal is imported from wide range of countries
- 230m tonnes of hard coal from deep mines in the EU – Poland, Czech R, Germany, UK Spain. Two thirds of this now produced without subsidy.

# Electricity generation fuel mix – EU 25 2004. High degree of fuel diversity

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# Sources of coal – EU25 2004. High degree of source diversity



# Coal State aid

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- €82bn in coal State aids was authorised between 1994 and 2005. Principally for operating support or restructuring.
- Significant reduction in recent years but still substantial in Germany and Spain.
- Operating aid covers the difference between the cost of producing EU coal and the world market price. Can be as much as €300 per tonne.
- Cost per coal mining job saved range from €12,000 per annum (UK) to €90,000 per annum (Germany)

# Rationale for supporting coal

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- Security of supply
  - Almost all coal used is not subsidised
- Social impact of coal mine closures
  - Real issues but need an exit strategy
- Development of mining and coal technology
  - Output and innovation have increased in recent years as aid has fallen
- Aid should:
  - be digressive and directed at restructuring
  - not distort choice of fuel for electricity generation

# Managing the social impact of mine closures

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- Coal employment

	Germany	Spain	UK	Czech R	Poland
1980	186,800	51,000	220,000		
1990	130,255	43,000	40,000	200,000	388,000
1995	93,000	26,000	9,500		
2005	38,500	8,200	4,400	18,500	124,000

# Managing the social impact of mine closures. The UK experience

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- UK policy directed at closing non-economic pits not at subsidising jobs
- Comparison of 1981 and 2004
  - 60% of jobs lost from coal replaced by new non-coal jobs
  - Recovery quicker in later years – ie high initial impact of closures
  - Migration away from mining areas halted
  - Withdrawal from economic activity halted
  - Mining areas have shared in economic recovery in UK
- Nonetheless pockets of high unemployment remain



# Managing the social impact of mine closures. The Czech Republic experience

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- Rationalisation and privatisation through 1990s
  - 5 coal mining areas in 1995 reduced to 1 in 2004
  - Large increases in unemployment – eg Moravia 5% in 1995, 16% in 2004
  - Only limited amount of new industry attracted e.g. Hyundai in Moravia
  - Kladno area benefited from proximity to Prague where there was strong growth
  - Other areas have seen little growth

# Future for EU coal

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- Coal will remain a significant fuel
- Environmental impact priced through the EU-ETS should drive choice of fuel
- Case for subsidising continuing operation of uneconomic mines is minimal
- Social impacts of closures are significant
- They must be addressed. This takes time but cannot be avoided
- EU will continue to have a significant coal mining industry which can operate without subsidy