


# Procedure file

Basic information		
CNS - Consultation procedure Regulation	<a href="#">2001/0172(CNS)</a>	Procedure completed
Coal industry: State aid and security of energy supply		
Subject		
2.60.03 State aids and interventions		
3.60.01 Solid fuels, coal mining, mining industry		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ITRE</b> Industry, External Trade, Research, Energy		18/09/2001
		PPE-DE <a href="#">NOVELLI Hervé</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>ECON</b> Economic and Monetary Affairs (Associated committee)		11/09/2001
		PSE <a href="#">RAPKAY Bernhard</a>	
Council of the European Union	Council configuration	Meeting	Date
	Industry	<a href="#">2433</a>	06/06/2002
	Energy	<a href="#">2394</a>	04/12/2001
European Commission	Commission DG	Commissioner	
	Energy and Transport		

Key events			
25/07/2001	Legislative proposal published	COM(2001)0423	Summary
04/10/2001	Committee referral announced in Parliament		
04/12/2001	Debate in Council	<a href="#">2394</a>	Summary
13/05/2002	Vote in committee		Summary
13/05/2002	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A5-0162/2002</a>	
30/05/2002	Debate in Parliament		
30/05/2002	Decision by Parliament	<a href="#">T5-0271/2002</a>	Summary
23/07/2002	Act adopted by Council after consultation of Parliament		
23/07/2002	End of procedure in Parliament		

02/08/2002	Final act published in Official Journal		
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### Technical information

Procedure reference	2001/0172(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	Rules of Procedure EP 57; EC Treaty (after Amsterdam) EC 089; EC Treaty (after Amsterdam) EC 087-p3
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/5/15211

### Documentation gateway

Legislative proposal	<a href="#">COM(2001)0423</a> <a href="#">OJ C 304 30.10.2001, p. 0202 E</a>	25/07/2001	EC	Summary
Document attached to the procedure	<a href="#">N5-0024/2002</a> <a href="#">OJ C 321 16.11.2001, p. 0002</a>	11/10/2001	OS	Summary
Economic and Social Committee: opinion, report	<a href="#">CES1477/2001</a> <a href="#">OJ C 048 21.02.2002, p. 0049</a>	28/11/2001	ESC	
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A5-0162/2002</a>	13/05/2002	EP	
Text adopted by Parliament, 1st reading/single reading	<a href="#">T5-0271/2002</a> <a href="#">OJ C 187 07.08.2003, p. 0023-0148 E</a>	30/05/2002	EP	Summary
Follow-up document	<a href="#">SEC(2002)0746</a>	02/07/2002	EC	Summary
Implementing legislative act	<a href="#">32002D0871</a> <a href="#">OJ L 300 05.11.2002, p. 0042-0057</a>	17/10/2002	EU	Summary
Follow-up document	<a href="#">COM(2007)0253</a>	21/05/2007	EC	Summary
Follow-up document	<a href="#">SEC(2007)0602</a>	21/05/2007	EC	

### Additional information

European Commission	<a href="#">EUR-Lex</a>
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### Final act

<a href="#">Regulation 2002/1407</a> <a href="#">OJ L 205 02.08.2002, p. 0001-0008</a> Summary
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## Coal industry: State aid and security of energy supply

**PURPOSE:** To redefine state aid to the coal industry after 2002. **CONTENT:** The European Coal and Steel Community - a building block of today's European Union, was signed in 1951 and set to last for fifty years. The ECSC will become obsolete in 2002 prompting a massive rethink of Community policy towards a European coal policy. There are currently four coal producing countries in the European Union - the United Kingdom, Germany, Spain and France. Of these the only country which shows any sign of potential competitiveness is the United Kingdom. For the rest, thanks in large part to geographical conditions, there is no scope for reducing production costs to a level where the EU could eventually compete efficiently with third country industries. In 1991 the European Commission presented a Communication to the Council on the way forward for the European coal industry. Following examination of the Commission proposals by the Industry Council, it was

agreed that upon expiry of the current Treaty coal should be treated like any other industrial product and included in the framework of EU competition policy. Bearing the later in mind it has become particularly pertinent to establish Community policy on State Aid to the European coal industry. Although the ECSC prohibits national subsidisation of the coal industry, in practice thanks to structural weaknesses, the European coal industry has been heavily dependant on subsidies. The Commission proposal accepts that, in spite of huge changes to the coal industry since 1951 and in spite of the undesirable effects in general of subsidies to the industry, complete withdrawal of state aid would doom the coal industry in the very short term. In preparing this Regulation the Commission therefore put the future of EU state subsidies to the coal industry within the context of the current political and economic landscape. Thus, the formulation of the Regulation took two important factors into account. Firstly, the need to maintain, for security reasons, an independent source of energy. This thinking is based on the Commission's Green Paper "Towards a European strategy for the security of energy supply" published in 2000, in which it was recognised that priority should be given to securing an indigenous energy supply. Clearly a complete end to coal production in the Community, thanks to the withdrawal of state subsidies, would have negative consequences on the security of the EU's energy supply. Secondly, the Regulation takes account of the Kyoto Agreement and the EU's commitment to reducing Greenhouse gases. Against this background, the Commission Regulation proposes a continuous, albeit limited, subsidisation of the coal industry. The Regulation specifically states that subsidisation will derogate over the years and suggests that as the subsidies decrease more money will be invested in renewable energy sources. Taken together, these measures will contribute to the creation of a base quantity of indigenous primary energy sources. Also stressed in the proposal is the recognised need to take socio-economic conditions relating to closures and lessened subsidisation into account. In essence the defining principles of this proposed legislation are to: - offer aid to safeguard resources; and - aid for the reduction of activity. The Regulation proposes that the scheme has a term of eight years and should expire on 31 December 2010, with a mid term assessment in 2006.?

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## Coal industry: State aid and security of energy supply

This document gives the opinion of the ECSC Consultative Committee on the Commission's proposal for state aid to the coal industry. The Committee agrees in principle with the Commission's approach of determining the future role of coal and the issue of aid to the coal industry after the expiry of the ECSC Treaty as part of a strategy on the security of energy supply. On the details of the proposal, it identifies the main concerns: -the Committee questions whether it is satisfactory that a scheme which is intended to apply until 2010 only makes specific provisions until 2007 and makes plans for a review covering the remaining period, which may entail quite different provisions, thus clouding the future outlook. The scheme should apply right through until at least 2010. -it questions the reallocation of coal aid to renewable energy sources. In the Committee's view, it is desirable that the new scheme make it possible for the Member States to strive for the long-term goal of a stable minimum output of indigenous coal which allows continued access to substantial deposits, thus ensuring the preservation of the infrastructure in working order, skilled core workforce and technological knowhow required for this purpose. The reduction of aid should only proceed to the point at which this minimum level is reached. -the social and regional consequences of further adaptations must be given consideration. Aid for reduction of activity should be limited to the period upto 2007 only insofar as it concerns measures decided upon within the framework of Decision 3632/93/ECSC. -the Commission admits to a fairly vague and thus very broad margin of discretion, particularly in assessing aid to secure resources or the underlying plans for such aid. More stringent assessment and authorization criteria are required. The proposal contains examples of disproportionate requirements, such as providing data on each and every production unit in a coal enterprise or asking Member States to supply all the information regarding reductions in greenhouse gas emissions. -there is no reason to change the procedural rules which have been tried and tested within the ECSC framework and comply with Community law. There is a need to amend the deadlines for the notification, examination and authorization procedure so that the Commission can reach timely decisions.

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## Coal industry: State aid and security of energy supply

The Council held a policy debate on this proposal for a Regulation. In accordance with the general move towards reducing State aid, aid to this sector would be degressive. The proposed aid scheme would therefore have an overall term of eight years, i.e. expiring in 2010, in order to enable Member States to allocate their funds to other energy sources. Moreover, aid for the reduction of activity would be terminated by the end of 2007. It is recalled that the only coal producers in the Community are currently Germany, Spain, France and the United Kingdom.?

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## Coal industry: State aid and security of energy supply

The committee adopted the report by Hervé NOVELLI (EPP-ED, F) approving the proposal without amendment under the consultation procedure. ?

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## Coal industry: State aid and security of energy supply

The European Parliament adopted the proposal by Herve NOVELLI (EPP-ED, F) and approved the Commission's proposal without amendment. (Please refer to the document dated 13/05/02.)?

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## Coal industry: State aid and security of energy supply

The report examines the financial aid granted by France, Germany, Spain and the United Kingdom to their coal industries in 2001. Such measures may be considered compatible with the proper functioning of the common market only if they help to achieve at least one of the following objectives: - to make, in the light of coal prices on international markets, further progress towards economic viability with the aim of achieving degeneration of aid; - to solve the social and regional problems created by total or partial reductions in the activity of production units; - to help the coal industry adjust to environmental protection standards. Thanks to the restructuring, modernisation and rationalisation efforts accomplished during the period in which Decision No 3632/93/ECSC has been in force, part of the Community industry, essentially the UK coalfields, have achieved economic viability or are at least close to it. However, most Community coal production is not competitive with

imports from third countries and with other energy products. Poland and the Czech Republic have also achieved economic viability, but the foreseeable increase in labour costs in future could make further restructuring necessary. On 25 July 2001, the European Commission approved a Council Regulation on State aid to the coal industry aimed at maintaining access to coal reserves as part of the process of ensuring security of energy supply. This aim, which justifies maintaining subsidised Community coal production, must be achieved on acceptable economic terms. It means that the restructuring and activity-reduction in the coal industry which have the main feature of the State aid schemes implemented under the ECSC Treaty will have to continue beyond 23 July 2002.?

## Coal industry: State aid and security of energy supply

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**PURPOSE** : lays down rules for the granting of State aid to the coal industry with the aim of contributing to the restructuring of the coal industry. **COMMUNITY MEASURE** : Council Regulation 1407/2002/EC on State aid to the coal industry. **CONTENT** : the Council adopted, with the Danish and Swedish delegations abstaining,, the Regulation establishing new rules for the granting of state aid to the coal industry. This Regulation aims at guaranteeing the support to this industry after the expiry of the ECSC Treaty and the previous aid system which was based on decision 3632/93/ECSC. The provisions are intended to be in line with the general trend toward the reduction of State aid in the Community. The Regulation, which provides for continued efforts to restructure and reduce mining activity in the framework of the EC Treaty, also taking account of social and regional factors, is intended to allow in future three categories of aid, namely aid for access to coal reserves - including initial investment aid and current production aid - aid for the reduction of activity and aid to cover exceptional costs. For a total period of eight years, until 2010, it aims to enable Member States progressively to allocate their funds to other energy sources, with aid for the reduction of activity being abolished by the end of 2007 at the latest. Moreover, the aid for the reduction of activity and for current production should overall follow a downward trend so as to result in a significant reduction. In addition, the entirety of the aid (except aid to cover exceptional costs) is subject to a ceiling for the whole period. **ENTRY INTO FORCE** : 02/08/2002.?

## Coal industry: State aid and security of energy supply

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**COMMUNITY MEASURE** : Commission Decision 2002/871/EC establishing a joint framework for the for the communication of information needed for the application of Council Regulation 1407/2002/EC on State aid to the coal industry. **CONTENT** : in accordance with Regulation 1407/2002/EC, the Commission examines the measures notified by the Member States relating to aid to the coal industry and decides on their conformity. To this end, Member States are required to notify the Commission of all the financial support which they intend to grant to the coal industry during a coal production year. They must specify the nature of the support with reference to the forms of aid provided for in Regulation 1407/2002/EC. They must submit to the Commission all details relevant to the calculation of the production costs and their relationship to the plans notified to the Commission, particularly closure plans and/or plans for accessing coal reserves. In order to be able to evaluate compliance with the conditions and criteria laid down for the granting of aid, the Commission needs to have at its disposal detailed, comparable and verifiable information. Accordingly, a joint framework for the notification by the Member States of closure plans and/or plans for accessing coal reserves and for the notification of aid to the coal industry needs to be established.?

## Coal industry: State aid and security of energy supply

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The Commission presented a report on the application of Council Regulation (EC) No 1407/2002 on state aid to the coal industry.

Although the Coal Regulation entered into force on 24 July 2002, the de facto application of the Coal Regulation commenced only on 1 January 2003. With regard to the Member States which joined the EU on 1 May 2004 and 1 January 2007, the Commission started to apply the Coal Regulation as of 1 May 2004 and 1 January 2007 respectively. Following the end of coal production in France in 2004, 11 Member States produce coal covered by the Coal Regulation (Germany, Bulgaria, Spain, Hungary, Italy, Poland, the Czech Republic, Romania, United Kingdom, Slovakia and Slovenia). Among the candidate countries, Turkey and the Former Yugoslav Republic of Macedonia also produce coal covered by the Coal Regulation.

The report starts by giving an overview on the use of State aid for the coal industry and the results of the restructuring process. As regards the operating and investment aid, 3 groups of Member States can be distinguished: those having stopped coal subsidies for mines in operation (the Czech Republic, France, Italy), those granting investment aid (Poland, Slovakia, the United Kingdom), and those granting operating aid (Bulgaria, Germany, Hungary, Romania, Slovenia, Spain).

Closures of unprofitable mines have taken place in all Member States that produce coal, with the exception of Italy. Germany, Spain and France have granted closure aid in order to cushion the social consequences of the mine closure. In the period 2003 to 2006, France closed 2 mines, Germany closed 2 mines, Spain closed 8 production units, and has committed to close down a further 9 mines by the end of 2007. In other Member States, mine closures have also taken place in this period. Hungary closed 2 mines, Slovakia 1 mine, and Poland 3 mines. These closures have taken place without the disbursement of closure aid.

In the Czech Republic and France, the state continues to pay subsidies for inherited social and environmental liabilities. However, the mining undertakings still in operation do not seem to benefit from these payments. The other Member States, with the exception of Hungary and Italy, have taken over to a certain extent inherited social and environmental costs not only for closed mines, but also for mines which are still in operation.

The report also covers the issue of the impact of coal subsidies on the internal market. State aid to the coal industry potentially affects three different product markets: the market for coal, the market for steel, and the market for electricity. There are also spill-over effects on the mining machinery sector and the eco-technology sector.

As regards the coal market, the Commission notes that the distortion of the market within the EU seems to be limited by the fact that most subsidized coal covered by the Coal Regulation is consumed in the national market. This suggests that there is little direct competition between coal produced in different Member States. In order to avoid spill-over effects from State aid for the Coal industry in the market for electricity, the Coal Regulation foresees a safeguard clause in its Article 4 (e).

The Commission considers that the combined application of Article 4 (c) and Article 4 (e) of the Regulation should allow excluding that coal subsidies have an impact on the market for electricity.

The Commission notes, however, that State aid to the coal industry might have an impact on the internal market for electricity with respect, in particular, to investment decisions for new coal-fired power plants.

The safeguard clause in Article 4 (e) of the Regulation applies also to the markets for coke production and steel. Neither stakeholders nor Member States have made any observations on possible distortions of competition in these markets.

The Commission has encountered 5 main problems in applying the present State aid rules to the coal industry: i) the control of the criterion ?no price distortions?; ii) the distinction between coal covered by the regulation and coal not covered by the regulation; iii) the reduction of production costs; iv) the control of the categories of aid for inherited liabilities set out in the annex of the Coal Regulation, and v) the control of mine closures.

Lastly, according to the Coal Regulation, the Commission shall evaluate whether the development of the coal market and/or the social and regional consequences of coal mining render amendments to the Coal Regulation as of 1 January 2008 necessary.

None of the replies received from stakeholders or Member States indicate that there have been important changes with respect to the social and regional aspects of coal mining.

In the light of the above the Commission considers that it is not necessary to propose amendments to the Coal Regulation. The Commission invites the Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and all stakeholders to present their views on this report.