THE COMPLACENT SEVEN URGED TO BLOCK EU SUBSIDIES TO COAL IN "CRUNCH NEGOTIATIONS"

AS GLOBAL LEADERS MEET IN POLAND FOR THE ANNUAL UN CLIMATE CHANGE MEETING, EU NEGOTIATORS WILL GATHER ON 5 DECEMBER TO FINALISE THE NEW EU ELECTRICITY RULES. A FEW COUNTRIES WANT TO CONTINUE SUBSIDISING COAL PLANTS. ITALY, SPAIN, THE NETHERLANDS, AND OTHERS CAN STOP THEM.

LAST CHANCE TO STOP EU SUBSIDIES FOR COAL POWER

- A final round of negotiations to finalise the EU's electricity market legislation for the next decade takes place on **5 December 2018** with the Austrian presidency negotiating on behalf of EU member state governments, key Members of the European Parliament (MEPs) and European Commission officials meeting "in trilogue" to reach a final deal.

- Some governments – such as the Polish one (with 9.6 GW of new coal plants planned or under construction according to the Europe Beyond Coal's project database) – are pushing to remove key protections in the draft legislation that would *prevent* governments from subsidizing new coal power plants after 2020 and *existing* ones after 2025 – via capacity mechanism payments.

- But many governments, including those of Belgium, Finland, Germany, Italy, the Netherlands, the UK, and Spain are sitting idly by when they should be *speaking out* against all coal subsidies. After all, subsidies for coal plants go against their stated positions, and in the case of all but Spain and Germany, their membership of the "**Powering Past Coal Alliance**".

BACKGROUND – EU ELECTRICITY MARKET DESIGN RULES AND THE 550G CO_2/KWH LIMIT

For two years, policymakers in Brussels and Strasbourg have been debating the new rules for electricity market design, which are part of the EU *Clean Energy for All European's* package. Modernised rules for the electricity market aim to make the integration of higher shares of renewable electricity, at lower costs, possible. This will trigger the development of zero-carbon forms of flexibility, necessary to balance renewables without additional levels of fossil-fuel fired plants. That is why it is so important that dirty and inefficient coal power plants are not deployed onto a system that does not need them.

The European Commission, in its original proposals from November 2016, wanted to end capacity payments to new coal-fired power plants as soon as the legislation came into play (probably 2020). The Commission proposed an *Emissions Performance Standard* of 550g/kWh for power plants to qualify for new subsidies. Coal plants emit above this limit.

The European Parliament broadly agreed with these proposals but included targeted exemptions for power plants in a type of capacity mechanism called 'strategic reserves', under the guarantee that emissions from these plants would be capped and that they would not benefit from competitive advantage compared to other market actors by being kept 'outside of the market'.

The general agreement of EU governments – reached in Council in December 2017 despite the formal rejection of France, Luxembourg and Netherlands – is much more lax.

It considers coal power plants under planning (but which would for instance start operations in 2023), as "existing", and would allow subsidies well into the 2030s and beyond.

But an intervention by progressive countries would stop this effort to undermine the EU bloc's climate credibility, by ensuring that the legislation prevents subsidies to *new* coal power plants after 2020 – and *existing* power plants after 2025.

COMPARISON: European Parliament and European Council General Approach

European Parliament	Council GA
SUSTAINABILITY CRITERION ("550")	
No payments to new plants emitting more than 550gCO2/kWh right after entry into force.	Some lax restrictions to payments to new plants emitting more than 550gCO2/kWh from 2026 (but no actual end date).
No payments to existing plants emitting more than 550gCO2/kWh 5 years after entry into force, with some restricted derogations for strategic reserves.	Some lax restrictions to payments to existing plants emitting more than 550gCO2/kWh after 2030 (but no actual end date).
'New' defined as capacity which has started commercial production after entry into force.	'New' defined as capacity for which a final investment decision has been made after entry into force – plants which will be built in a couple of years could be considered as 'existing'.
Criteria calculated for emissions per unit of **electricity**.	Criteria calculated for emissions per unit of **energy**: could fully exempt coal plants providing heat as well as electricity.
To apply to all schemes.	Risk of it applying **only** to entirely new schemes.

Source: E3G, ***link***

KEY QUOTES

Mahi Sideridou, Managing Director at Europe Beyond Coal, said:
"Coal is a sunset industry that no longer has a place in modern Europe. Public money would be much better used in supporting renewable energy, and communities and workers transitioning away from coal, instead of being wasted on the outdated and polluting coal sector through capacity mechanisms."

Manon Dufour, Head of Brussels office, E3G - Third Generation Environmentalism, said:
"An EU that goes on building and subsidising coal power would seriously undermine its credentials as a climate leader. At a time when European leaders plan for a net-zero economy by 2050 at the latest, it makes no sense to waste billions of euros into the new construction and prolongation of coal-fired power plants. European governments only have a few days to put an end to subsidies to coal power and truly commit to a low carbon and socially just energy transition."

Joanna Flisowska, Coal Policy Coordinator at Climate Action Network (CAN) Europe, said:
"It is outrageous that billions of Euros of public money could go up in smoke subsidising coal plants for the next decades at the expense of our health and the climate. In the run-up to COP24, EU Member States would send a very wrong signal to the world should they stand by laggard governments like the Polish one in its addiction to coal. If Member States want to be consistent with their Paris Agreement commitments they must immediately put an end to coal subsidies and shift financial flows towards support for renewables and efficient energy systems. This is essential for the EU to help the world limit temperature rise to 1.5°C."

James Watson, CEO of Solar Power Europe, said:
"We must restrict the use of capacity mechanisms by removing public subsidies for high CO2 emitting power generation in Europe. Solar is one of the most cost-efficient clean energy technologies, that is already reaching grid parity in countries like Spain, Italy and Greece. If we give subsidies to the most polluting energy sources, we are simply extending their lifeline and slowing the energy transition. Supporting a criterion of 550g CO2/kwh is about consistency with our Paris and Energy Union commitments and will ensure that we have a clean energy transition in Europe."

ABOUT MEMBER STATE POSITIONS

A year ago, the Dutch government was one of the most vocal proponents of a stringent limitation on coal subsidies, consistent with its decision to **phase out the use of coal in the Dutch electricity mix by 2030**, and to close its two oldest coal-fired power stations by the end of 2024. Its opposition to the compromise reached by member states in December 2017 was so fierce that it rejected it. The Netherlands have been more passive in the last stretch of the EU negotiations.

Spain scored high in our ranking of **the most disruptive, frustrating countries during the 2017 negotiations** on the whole clean energy package, for their role as hurdle to the European energy transition. The change of government in June 2018 led to a complete **reversal of position on renewable energy and energy efficiency** at EU-level, and to series of ambitious and **inspiring announcements on**

national policies. Despite positive signals on coal, such as the **decision to close most of the country's coal mines by the end of the year**, a formal commitment by the Spanish government to ending subsidies to coal power could be a game-changer in these European negotiations.

Italy went through a political earthquake of its own following the March 2018 elections. The Ministry for Economic Development, which includes Energy and is led by 5 Star Movement politician Luigi di Maio, was prompt in changing position on renewable energy and energy efficiency which led to more progressive outcomes in European negotiations. The minister also signaled a **shift in the country's position on capacity mechanisms and coal subsidies** following his withdrawal from a 7-government pro-capacity mechanisms non-paper mid-September. However, despite Italy's commitment to phasing out coal by 2025, its membership of the Powering Past Coal Coalition, and recent signals of a change in strategy, Italy remains extremely passive in these negotiations. Italy's allies need the government to take a stand in order to land an ambitious deal.

Belgium, Finland, and the UK seem currently withdrawn from these negotiations. Germany is currently nowhere to be seen on this topic. Previously supportive of limits for subsidies for high-emitting power plants, it has recently avoided taking a position, with some increasingly fearing that it might side with the Polish government on this issue.

ABOUT COAL AND CAPACITY MECHANISMS IN EUROPE

A Greenpeace analysis calculates the total cost of the subsidies to coal, gas and nuclear in the form of capacity payments as being worth as much as €58 billion. Greenpeace researchers were able to identify the type of fuel receiving the subsidy in around half of the cases, with 66% of that money going to coal-fired plants. Assuming that percentage is representative for all plants would mean more than €38 billion could pour into Europe's most polluting fuel source.

The Polish electricity grid operator has just published the official preliminary results of the first capacity market auction in Poland to award contracts to power plants from 2021 onwards. **According to CAN Europe**, based on the preliminary results, out of 22.4 GW awarded through the auction, at least 80% goes to coal and lignite. Contracts will be set at the staggering amount of approximately €55/kW, the price being more than five times higher than the one set by recent UK auctions. These plants will receive payments via even up to 15 year-long contracts starting from 2021.

A November 2018 **analysis by Sandbag and the Europe Beyond Coal** found that in the EU just ten companies are responsible for an estimated two-thirds of the health damage caused by coal power plants in 2016. These companies caused a modelled 7,600 premature deaths, 3,320 new cases of chronic bronchitis and 137,000 asthma symptom days in children. This led to an estimated 5,820 hospital admissions and over two million lost working days.

Read more about Europe's existing and planned coal plants **here**.

THE EU *CLEAN ENERGY FOR ALL EUROPEANS* PACKAGE

The "Clean Energy for All Europeans" package is a set of legislative proposals published in November 2016 by the European Commission, and the subject of intense negotiations in the European Parliament and Council of Ministers ever since.

The proposals aim at shaping the European energy sector through new objectives on renewables and energy efficiency, a framework to deliver on these effectively, and a set of rules to make electricity markets more open, competitive, and ready for ever increasing levels of renewables and consumer participation.

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