

REPOWERING OR REFIRING:

HOW TO AVOID THAT OUR EU REPOWER
PLAN LOCKS-IN COAL



EUROPE
BEYOND
COAL

ABOUT THIS BRIEFING

This briefing was issued by the Europe Beyond Coal campaign in October 2022.

Europe Beyond Coal is an alliance of civil society groups working to ensure a just transition to a fossil-free, fully renewables-based European energy sector. This means exiting coal entirely by 2030 at the latest, and fossil gas by 2035 in the power sector. This independent campaign is committed to transforming the European energy system so that it protects people, nature and our global climate: www.beyond-coal.eu

The following individuals contributed to this briefing:

Coordinating author:

KatieTreadwell (WWF European Policy Office)

Significant contributions from, and thanks to:

Nikos Mantzaris (The Green Tank), Marta Anczewska (CAN Europe), Sarah Brown (Ember), Bellinda Bartolluci (ClientEarth), Stéphanie Nieuwbourg (ClientEarth), Morgan Henley (CEE Bankwatch), Riccardo Nigro (European Environmental Bureau), Elif Gunduzyeli (CAN Europe), Sebastien Godinot (WWF), Fabian Huebner (Europe Beyond Coal), Verena Bax (CAN Europe), Perceval Pradelle (Europe Beyond Coal) and Alexandru Mustață (Europe Beyond Coal).

Cover design:

Alastair Clewer

For enquiries, please contact:

Katie Treadwell – Senior Energy Policy Officer, WWF European Policy Office
ktreadwell@wwf.eu





Contents

RePowering or ReFiring: how to avoid that our EU RePower plan locks-in coal	4
Headline messages	4
Why the response to the war in Ukraine cannot be allowed to lock us into more coal	5
The risk of locking us into more coal: the EU crisis response	7
How big is the risk?	8
Raising funds for REPowering: auctioning allowances from the Market Stability Reserve (MSR)	9
What is needed?	10
A door open for coal investment: up to €2 billion could be spent on coal	12
What is needed?	13
‘Do No Significant Harm’ derogation	13
What is needed?	14
The difference between temporary measures and structural coal lock-ins and how to avoid them	14
Mine expansions and investments	15
Increased individual coal plant use or operation prolongation	15
Just Transition and safeguards	18
Coal phase-out dates	20
Summary guidance on how to avoid structural coal lock-in	21
What is needed now	22
The EU Commission must:	22
Member States must:	23
The European Parliament and the Council must:	25
ANNEX: Exploration of further issues and risks in the EU crisis response	26
Lack of clarity over what constitutes ‘temporary measures’	26
What is needed?	26
Industrial Emissions Directive derogations	27
Temporary Crisis state aid	28
Risk of coal plant refurbishment	28
Aid that improves the economic environment for coal	29
What is needed?	29



RePowering or ReFiring: how to avoid that our EU RePower plan locks-in coal

Europe is facing one of its greatest ever tests. The impact of the war in Ukraine on energy prices is throwing many of the most vulnerable into, and putting millions more households at risk of energy poverty. Europe faces a real risk of gas supply shortage and energy rationing in winter 2022/23. Amidst these crises, some commentators and even EU Member States are calling for a softer approach to dirty coal as a saviour for Europe's energy security. Wholesale gas prices are the main driver of current sky-high energy prices¹, but sliding back towards coal would be a catastrophic error for energy transformation and for the climate. Extended coal use will neither bring long nor mid-term energy security, nor will it address the energy price crisis. Long-term peace, energy security and affordability can only be achieved via the expansion of environmentally-sound, climate-safe renewable energy, storage and energy efficiency measures. Moreover, multiple models and studies have demonstrated that all Russian fossil fuels can be replaced by 2025, without new fossil fuel infrastructure or increased coal use. The war in Ukraine cannot be allowed to lock Europe into more coal combustion. This briefing points out the risks of a structural coal lock-in as a response to the war in Ukraine and highlights how to avoid it. In doing so, it outlines the conditions to ensure that Europe's response to the war can tackle the root of the multiple and linked crises it faces - fossil fuel dependence.

Headline messages

- We are in a fossil fuel crisis: our dependence on fossil fuels has left us exposed to high energy prices and reduced our energy security. Our response to the war in Ukraine must accelerate our transition out of fossil fuels, including coal.
- There is a real risk that measures taken to respond to the war in Ukraine and to address the energy price crisis could, if unchecked and time-unlimited, drive a structural lock-in of coal.
- A structural coal lock-in would be disastrous for Europe's climate goals, as well as people's health and pockets, hurting the poorest and most vulnerable the worst.
- However, careful monitoring and conditions - including time and capacity limits for prolongation measures - will make sure that coal reactivation remains a short term measure, and that Europe continues on the path for a timely coal phase-out. These measures will not be necessary anymore by 2025 if European countries swiftly accelerate the deployment of renewable energy and energy savings actions.

¹ See e.g. <https://twitter.com/EmberClimate/status/155407457295739289>



Why the response to the war in Ukraine cannot be allowed to lock us into more coal

For many years, coal has been in terminal, structural decline in Europe - and this has not changed. Between January 2016 and February 2022, 171 of Europe's 328 coal plants closed or confirmed pre-2030 retirements. Although phasing out coal is a climate and environmental imperative, the driving force behind this decline has been primarily economic.

Coal is the single largest source of global carbon emissions, which are the primary drivers of the catastrophic climate crisis that has continued to intensify in recent years. 2021 and 2022 have seen some of the worst and deadly weather extremes hit Europe and beyond; from apocalyptic flooding in northwestern Europe leading to loss of life and property, to record-breaking heat that has left Europeans sweltering and crops, houses and livelihoods burning. There is scientific proof that they were more likely to happen due to climate change². The 2021 IEA Net Zero report³ confirmed the results of many other studies and models that, in the EU and other OECD countries, coal must be phased out by 2030 to align with the Paris Agreement goal of striving to limit global temperature rise to 1.5°C to avert even more catastrophic climate change⁴.

Beyond climate change, coal is also a major polluter of air and water, responsible for an estimated 23 000 premature deaths in the EU in 2013⁵. Its extraction leads to forced displacement from homes and is threatening the existence of ancient forests like Hambach in Germany - an irreplaceable habitat for biodiversity.

At the same time, coal remains expensive while renewable energy is cheap. Meanwhile, energy not used in the first place is even cheaper still. Thanks to the massive cost reduction of wind and solar power⁶, it now makes more economic sense to switch to renewable energy directly⁷. Indeed, switching will save money; analysts at Ember recently calculated that a 95% clean power system in

² <https://edition.cnn.com/2021/08/23/europe/germany-floods-belgium-climate-change-intl/index.html>

³ IEA (2021), Net Zero by 2050, IEA, Paris <https://www.iea.org/reports/net-zero-by-2050>

⁴ Climate Analytics 1.5 pathways for Europe report, available at https://climateanalytics.org/media/1-5pathwaysforeurope_2.pdf; and CAN Europe and EEB Paris Agreement Compatible Scenarios for Energy Infrastructure, <https://www.pac-scenarios.eu/>

⁵ "Europe's dark cloud: How coal-burning countries are making their neighbours sick", June 2016.

https://www.wwf.de/fileadmin/fm-wwf/Publikationen-PDF/Europes_dark_cloud_report_2016.pdf

⁶ The "Final Report – Cost of Energy (LCOE): Energy costs, taxes and the impact of government interventions on investments" by Trinomics for the European Commission in 2020 pointed out that in the EU27, most renewable energy sources (RES) had become cheaper than gas fired combined cycle gas turbines (CCGT) and supercritical coal power plants. In 2018 onshore wind LCOEs were around €60/MWh, offshore wind around €85/MWh and utility-scale solar PV around €87/MWh. Meanwhile, despite the reduction of gas prices, LCOE of CCGT power plants have been around €95/MWh (20% higher than 2008 costs) while coal-fired power plants have costs around €90/MWh (12% higher than 2008 costs). Given the current surge in gas and coal prices, with continued declines in renewable energy costs, renewables are now even cheaper than when this report was written.

⁷ [TransitionZero's Coal-to-Clean Carbon Price Index \(C3PI\)](#) shows that the carbon price to incentivise a switch from coal to renewables has been below zero since June 2021 (over -€157 in July 2022)



Europe by 2035, based on 70-80% solar and wind, would save up to €1 trillion versus stated policies⁸, for an additional upfront investment of €300-750bn. The economics remain poor for coal whether it is domestically extracted or imported.

It is also apparent that Europe doesn't need a return to coal, or the expansion of other fossil fuel infrastructure, to secure its energy supplies. Analysis by Ember, E3G, RAP and Bellona has shown that Russian fossil fuels can be phased out of the EU energy mix without stalling the end of coal power generation or building new gas import infrastructure⁹.

The only way that European countries can secure their energy supplies, bring down people's energy and health bills, and protect their citizens from climate chaos is to stop all burning of fossil fuels. Renewable energy, combined with greater energy efficiency, reduced demand and more energy storage offer a safer, healthier and more sustainable future for all.

Coal phase-out commitments are providing the certainty investors need to accelerate investments in the transition that create new jobs in the region. Likewise, they send a clear signal to workers and coal-dependent communities that coal is on its way out, providing them the time and direction to invest in retraining and to prepare for a future without coal. Rolling back coal phase-out decisions will undermine the momentum and faith of workers in the transition, especially where substantial reserves of coal remain in an area. This could in turn lead to opposition to the transition from local communities, workers and their unions and deepen the skills gap that already exists¹⁰.

Moreover, investing for a truly sovereign, sustainable and affordable 100% renewable energy based power system by 2035 is a peace plan that will bring lasting benefits for people and the planet. As of 4 October 2022, the EU had spent over €100 billion on Russian fossil fuels since the start of the war in Ukraine¹¹.

Europe has real potential to be a global leader in a new frontier for energy, provided it moves now. By accelerating the uptake of renewable, storage and energy efficiency solutions, and establishing strong domestic industries, Europe can more than replace the jobs lost as coal phases out¹². The latest IEA report shows that job growth more than offsets a decline in traditional fossil fuel supply

⁸ Ember, June 2022, "New Generation: Building a clean European electricity system by 2035"

⁹ Ember, "EU can stop Russian gas imports by 2025" available at:

<https://ember-climate.org/insights/research/eu-can-stop-russian-gas-imports-by-2025/>

¹⁰ Green jobs will require middle- and high- skilled workers, while coal jobs are predominantly low- skilled ones. The mismatch needs to be addressed in order to smoothly transition to green economy

¹¹ <https://beyond-coal.eu/russian-fossil-fuel-tracker/>

¹² [Clean energy technologies in coal regions](#) JRC 2020 report. This found that, in more than half of the 42 coal regions in the EU, clean energy investment can create more jobs than currently exist in the coal sector - up to 460 000 jobs in total by 2050.



sectors, globally¹³. What's more, these solutions can be scaled-up quickly and cost-effectively, given the right policy frameworks and support. Such a system can also provide the required power capacity and be stable, with proper investments into electricity grids, demand management and storage infrastructure deployed now.

But even if renewables represent a logical, cheaper and safer solution, this transition risks being derailed and the opportunities it represents missed if the policy environment, national decisions and public resources favour a resurgence of coal.

The risk of locking us into more coal: the EU crisis response

The RePowerEU plan and legislative package sets out how the EU will rapidly reduce dependence on Russian fossil fuels and fast forward the green transition. The laudable aims of the plan would see the 2030 renewables target boosted beyond the 2021 proposal of 40% to 45% of final energy consumption, as well as further increases in energy efficiency. However, the short-term measures to exit Russian gas and ensure energy security by 2027 could have the opposite effect: derailing the transition by locking Europe into an unnecessary dependence on polluting coal.

The risks are both direct (from favourable policies and aid) and indirect. For example, if measures inadvertently boost the profitability of coal, or signal the start of a more favourable environment, companies could invest in new coal infrastructure and workers may be trained or retrained to work in the coal industry. This could undermine not only the energy transition by locking in polluting coal or generating stranded coal assets, it could also undermine a just transition by leaving workers and communities stranded after presenting them with the false hope of a coal resurgence.

In this section, we outline the risks that the emergency measures taken in response to the energy crisis arising as a result of the war in Ukraine inadvertently lock Europe into coal, even in the absence of direct coal prolongation measures and decisions (section 3).

How big is the risk?

While announcements about increased coal use have so far been limited, it is worth noting that announcements have been made by some countries¹⁴:

¹³ <https://www.iea.org/reports/world-energy-employment/executive-summary>

¹⁴ Correct as of 20th September 2022



Country	Post-2025 emergency operations foreseen?	Clear (new) 2030 or earlier coal phase-out date set	Announcements
Germany	Unclear - retirement years remain in line with coal phase out law	No - the Government has previously signalled its intention to bring coal phase out forward to 2030, but the coal phase out law sets a limit of 2038	Multiple hard coal and lignite plants brought into active grid reserve or planned for grid reserve. Some hard coal plants see phase out dates pushed back to 2023 or 2024.
Greece	Unclear	Yes - national coal phase out date remains 2028	The Ptolemaida V plant under construction will operate with lignite until 2028; lifetime of existing lignite plants uncertain
Hungary	Yes	Yes - but the date has been pushed back to 2029	Matra power plant and lignite mining boosted by government decree and operations extended from 2025 to 2029.
Austria	No	Yes - but coal phase out brought back from 2020 to 2023	Grid reserve: Mellach hard coal plant brought out of retirement until 2023
France	No	Yes - but coal phase out brought back from 2022 to 2023	Grid reserve: Emile-Huchet hard coal plant retirement year pushed to 2023



Netherlands	Unclear - retirement years remain 2029		35% capacity limit on hard coal plant operation lifted
Denmark	No	Yes - national coal phase out date remains 2028	Esbjerg unit 3 continues to operate, Studstrup unit 4 reopened until June 2024

Case study: Greece

Greece has decided to push back the combustion of lignite in the lignite power plant Ptolemaida 5 (currently at its final construction stages) for at least three years until 2028 (official coal exit date) and to ramp-up coal use, despite the fact that the operator had repeatedly announced that the plant would cease to burn lignite by 2025.

Meanwhile the decision has been taken to increase lignite mining by 50%, for at least 2 years and potentially until 2025 (although political statements have been mixed regarding the date and may be complicated further by upcoming national elections) and potentially to extend the lifetime of existing coal plants due to close by 2023, according to the NECP beyond that date.

Thanks to the communication and standing commitment to clear phase out date (2028), this is an example of a prolongation that is temporary, albeit it is questionable whether it is necessary, especially until as late as 2028.

Raising funds for REPowering: auctioning allowances from the Market Stability Reserve (MSR)

In order to help raise the estimated €210 billion extra in investment required to meet the RePowerEU objectives, on top of that required to reach the objectives of the Fit for 55 proposals, the Commission proposes to auction allowances from the MSR until €20 billion has been generated. The MSR removes surplus allowances from the Emission Trading System (ETS) to stabilise the price and cancels the volume above the previous year’s auctioning volume from 2023 onwards.



Releasing an estimated 200-250 million allowances from the reserve which otherwise would have been cancelled allows additional emissions into the atmosphere, jeopardising the climate targets and undermining the ETS capacity to drive emissions reductions. But it also risks driving structural lock-in of coal.

The release of MSR allowances for auctioning increases the risk of a structural coal lock-in because:

1. Member States have less money to finance climate action and the shift from coal to renewable energy: the action will drive down the carbon price - in response to the proposal alone, EU allowance prices dropped by -12.5%¹⁵. This will reduce revenue that Member States receive from auctioning allowances and which they use to finance climate action and to support the replacement of coal usage with sustainable options.
2. Coal plants may return to profitability: as a result of a lower carbon price, coal plants which were marginally un-profitable may become profitable again and this could lead to them operating for longer.
3. Investors and utilities might re-invest in coal: as a result of a return to profitability. Although this is unlikely as coal will remain un-profitable in the longer term (the Commission's REPowerEU Staff Working Document shows that the fuel price trajectory for coal will continue to rise to 2050 after an initial drop from the current peak); the risk is increased if the auctioning of MSR allowances sets a precedent or leads to further measures that weaken the ETS price signal (as floated by countries such as Poland).

What is needed?

EU decision-makers must veto the proposal from the Commission to release MSR allowances, as this would lead to extra carbon pollution under the EU ETS before 2030. This was echoed in a letter sent by CAN Europe, WWF, Carbon Market Watch and European Environmental Bureau to EU decision makers in May 2022¹⁶.

Any other measures that could improve the economic environment for coal must be avoided, including measures which reduce the carbon price (disproportionately favouring coal). Such potential measures include the proposal to release allowances from the MSR, but also calls to

¹⁵ EUA Futures | ICE (theice.com). Available at: <https://www.theice.com/products/197/EUA-Futures/data?marketId=6967749&span=1>

¹⁶ <https://caneurope.org/urgent-call-to-veto-commission-proposal-releasing-allowances-from-market-stability-reserve-to-finance-repower-eu/>



suspend the ETS entirely, or to impose a price cap. Not only could the impacts of these measures be highly detrimental to climate action efforts, they would have very little impact on the energy price for end consumers¹⁷.

Measures that see coal companies supported to provide cheaper electricity or heating coal to consumers, as initially proposed by Poland, will have a similar effect. This risk is reduced if support is provided directly to households¹⁸, but is not completely mitigated.

Case study: Poland - boosting coal production and supporting coal heating costs

Polish energy utilities use many different strategies to adapt to the current situation. Total coal consumption in 2021 increased, due to an abundance of domestic coal, sold to utilities via long term contracts (much cheaper than in European markets).

After the Russian invasion of Ukraine, the situation changed drastically; the availability of coal suitable for the power sector was brought down by mining companies, who wanted to renegotiate the contracts and get better prices.

The availability of coal used for heating in the residential sector (individual households and small, municipal heating units) went down to zero, with Poland declaring an immediate embargo on coal imported from Russia in April 2022 (domestic mines do not produce coal within the parameters for heating).

As a result, energy and heat prices went up (heat - for those in district heating systems). The fuel to heat homes has become almost impossible to obtain and is prohibitively expensive for those who can. The risk of some homes staying cold in the winter is looming over the horizon.

In response, the government:

- Ordered coal imports from Australia and South Africa and attempted a communication campaign to reassure people. This failed as the public is aware that the real challenge is distribution - the coal needs to be delivered to 2 million households across Poland, while trains are not able to reach them and ports are blocked.

¹⁷ It is widely reported that the EU ETS has contributed little to the increase in consumer energy bills. Instead, it is the price of fossil gas which has led to current high energy prices.

¹⁸ The temporary crisis state aid guidance underlines that state aid measures “benefiting non-commercial energy consumers do not constitute State aid, provided they do not indirectly benefit a specific sector or undertaking, Member States can, for example, make specific social payments to those most at risk which could help them afford their energy bills in the short term, or provide support for energy efficiency improvements, while ensuring effective market functioning”



- Relaxed the quality norms of solid fuels burning for individual heat to allow dirtier, cheaper coal to be used. This means people can burn whatever they want/can get a hold of, **risking smog**.
- It subsidises households that own a coal boiler, but in an untargeted way - each household can apply for €640 as a “coal addition”, with no income criterion to access the money.

After massive criticism towards the scheme from across the political spectrum, the government opened the support scheme for district heat users who are not protected by tariffs and for homes using different fuels (biomass, LNG, oil, district heat). The only group of consumers who will not be shielded from the gargantuan bills are households who changed their boilers from coal to gas (as they are supposed to be protected via special tariffs on gas sale). The total estimated cost of the support is €4.2 bn.

A door open for coal investment: up to €2 billion could be spent on coal

A dive into the detail of the REPowerEU communication and staff working document suggests up to €2 billion could be spent on measures to support the “delayed phase-out and more operating hours for coal”. New investment in coal infrastructure can never be justified as it will undermine our environmental goals and our social goals by wasting public money that could be used to invest in sustainable solutions.

The Commission has indicated that these investments may never be recouped. However, there is a risk that once made, there will be economic pressure to profit from the value invested, especially if the invested value is private or a loan. As stated in the sections above, even where operators and governments try to justify investments in coal plants on the grounds that they are needed to comply with pollution limits at potentially higher load levels, such investment is always better spent on renewable energy, energy savings and/or energy storage solutions.

What is needed?

Rather than opening the door to investment in coal, member states should redirect all financial flows in line with the energy transition. €2 billion could¹⁹, pay for approximately:

- 59 onshore wind turbines AND
- 31147 heat pumps AND

¹⁹ According to the methodology used by the Europe Beyond Coal Russian Fossil Fuel spending tracker, available at: <https://beyond-coal.eu/russian-fossil-fuel-tracker/>



- 242 fields of solar PV AND
- 24504 solar homes AND
- 9105 home insulations AND
- 10 offshore wind turbines.

Many of these solutions can, with political will, be delivered quickly - for example, previous estimates suggest a 10MW wind farm can 'easily be built within 2 months'²⁰.

As above, investments made by utilities (not through state aid) to comply with the emergency response should be conditional on the beneficiaries accepting - and ceding any rights to recoup - costs linked to the investment made. Likewise, the investment should have no impact on the existing closure date or plan of an operation.

'Do No Significant Harm' derogation

The REPowerEU plan includes a derogation from the requirement for member states to perform an assessment against the 'do no significant harm' principle as outlined by the EU Taxonomy for measures under their Recovery and Resilience Plan (RRP) REPowerEU chapters which aim to boost energy security in the short-term by *"improving energy infrastructure and facilities to meet immediate security of supply needs for oil and gas, notably to enable diversification of supply in the interest of the Union as a whole"*.

This derogation risks vast sums of public money being diverted into oil and gas projects between 2023 and 2026, when it could and should be spent on projects aligned with a 1.5-aligned and just transition to a 100% renewable energy based system. The derogation allows existing RRF funds to be used to finance such projects in critical oil and gas infrastructure, while up to a 12.5% of EU cohesion money (over €44 billion in 2021 prices) can further top-up existing RRF resources²¹. Moreover, this derogation is unfounded as any investment in oil and gas will harm environmental objectives while locking the EU into more fossil fuel dependence - and by consequence, it will undermine long-term energy security goals.

Furthermore, although the text **implies** that this derogation applies only to oil and gas investments, the Commission does not clearly clarify that investment in coal cannot use this derogation to escape the do no significant harm assessment.

²⁰ According to the European Wind Energy Association (now WindEurope). Available at: <https://www.ewea.org/wind-energy-basics/faq/#:~:text=Construction%20time%20is%20usually%20very,be%20built%20in%20six%20months>.

²¹ This is because the new RePowerEU chapters can be supported with transfers of up to 12.5% of the Member State's allocation under the cohesion policy to the Recovery and Resilience Facility. See Proposal for a Regulation 2022/0164 (COD)



What is needed?

The EU co-legislators must **reject the derogation from the do no significant harm test before adopting the proposal for amendments to the Recovery and Resilience Facility** to introduce REPowerEU chapters in RRP. Meanwhile, the Commission must - as a pre-emptive and minimum measure - clarify that such derogations do not apply to coal investments.

The difference between temporary measures and structural coal lock-ins and how to avoid them

In order to ensure sufficient energy is available for heating homes and running essential industries in the event of a total fossil fuel cut-off from Russia over the winter 2022/2023²², some Member States have announced temporary measures that may increase coal burning for a short period of time. Initial analysis performed by Ember in July 2022 indicates that these temporary measures are limited and should not jeopardise Europe's longer-term climate commitments²³. However, it is important to recognise the differences between temporary measures and those which could lead to a structural coal lock-in, as a prolonged crisis may lead to further announcements.

In this section, we highlight the difference between temporary measures and measures that could lead to prolonged dependence on coal.

Mine expansions and investments

Rarely, if ever, temporary

It is very rare that a mine extension or new investment in coal extraction could ever be considered temporary due to the length of investment cycles, in addition to the social and environmental impacts. Any mine/mining extraction plan extension should therefore be case-by-case, time- and capacity-limited and should never:

- Involve new investments in walls/deposits or which go beyond 2025, from the business decision to the final product sale.

²² While the RePowerEU Plan and Save Gas for a Safe Winter Communication also look ahead to winter 2023/2024, emergency short term measures should be fewer thanks to greater investment in renewable energy and energy savings solutions over the next 12 months.

²³ <https://ember-climate.org/insights/research/coal-is-not-making-a-comeback/>



- Lead to the destruction of habitations²⁴ or unique and irreplaceable habitat - a likely product of expanded lignite mining.
- Begin new mines.

Investment cycles to open new walls in hard coal mines take around 18 months for walls in existing mines, while building new walls or new mines can take up to 10 years, ruling these out as emergency crisis response measures.

At the same time, just transition and rehabilitation plans for the closure of the mine and the resulting impacts on the region should be developed or updated, in partnership and social dialogue with the affected communities, workers and their unions concerned, as soon as possible. Mine extensions or new investments should also avoid the recruitment of personnel who have never been previously employed by a mine or who require significant training to be employed in the mine.

Increased individual coal plant use or operation prolongation

May be temporary, under strict conditions

Any increase or extension of coal plant operations should be subject to strict limits and coal plant permit extension or expansion should be:

- Limited to 2025 at the latest.
- Limited to coal plants subject to strategic reserve status, or on condition that coal plants enter the strategic reserve i.e. removed from the main electricity market and used as a last resort following a triggered warning from a clearly defined system distress situation. If national mechanisms mean that reserves are active on the market, it is even more important that the period of extended or expanded operation is defined in time, capacity is limited via annual operation hour limits and operation does not exceed 2025.
- Justified through a case-by-case national resource adequacy assessment performed by an independent body and approved by the European Commission. This should confirm whether the capacity need could not be met first through rapidly scaled-up energy efficiency and demand-side response measures, then through storage, interconnection

²⁴ Anywhere where people live permanently, such as a house, farm or village.



or through renewable energy investments over the course of the permit or within 18 months, whichever is longest.

- In cases where a coal plant does not comply with emission limit values under the latest BAT conclusions²⁵, prolongations should be avoided. Where this is not viable following an independent Resource Adequacy Assessment, operation hours should be limited to 1500 hours per year or below.
- Investments in coal plants should be avoided. If investments are made, they will become a stranded asset. While in some cases, investments may be promoted as necessary even for short-term, emergency operation - public money for investments in, or new financial support schemes for coal plants that have a later closure date than 2025, would always be better spent on renewable energy, energy savings or energy storage solutions. New coal investment cannot be justified from a social, economic or environmental viewpoint as the investment will not be recouped before the closure of the plant or extraction operation if the climate targets are met. In strictly financial terms these are sunk costs.
- Structural lock-in can further be avoided and a strong signal about the direction of the transition preserved by conditioning coal plant prolongations on a fixed national coal phase-out date. Likewise, a fixed closure date or lifetime operating hours limit compatible with the UNFCCC Paris Climate Agreement per plant will avoid indefinite extensions that could derail international climate commitments and goals, as well as providing continued certainty to communities, workers and investors.

Coal must be phased out by 2030 for European countries to achieve their climate targets and align with efforts to limit global average temperature rise to below 1.5°C²⁶. All imported Russian gas and coal can be removed from the EU's power and heat sectors by 2025²⁷, being fully replaced by energy savings, electrification, renewable energy sources and other supportive solutions, without investments in new fossil fuel infrastructure.

Any coal prolongation beyond 2025 cannot, therefore, be considered temporary. If closure dates are prolonged beyond an emergency crisis response period, or are removed entirely, there is structural coal lock-in risk. Member States and utilities can scale-up renewable energy solutions, including for heating, quickly and so prolongation of 'emergency measures' must be on a

²⁵ Commission Implementing Decision (EU) 2021/2326 of 30 November 2021 establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and of the Council, for large combustion plants. Available at: [EUR-Lex - 32021D2326 - EN - EUR-Lex \(europa.eu\)](#)

²⁶ <https://climateanalytics.org/briefings/coal-phase-out/>

²⁷ See <https://ember-climate.org/insights/research/eu-can-stop-russian-gas-imports-by-2025/>



case-by-case basis. In the absence of an up-to-date resource adequacy assessment, decisions to extend coal plants must be viewed with extreme caution and may be political rather than evidence-based, leading to unnecessary emissions and higher energy costs.

However, coal plant operation prolongations - understood as extensions which involve lifetime extensions, increased operating capacity load factors or hours, with or without investment - may be temporary measures, under strict circumstances. As these prolongations must not exceed 2025, on the other hand, red flags should be raised if **lifetime prolonging investments are made in coal plants** - new investments in coal plants (for example to comply with new emissions limits) will be impossible to recoup if the Paris Agreement is upheld and national and EU 2030 emissions reduction goals are respected, meaning such investments will generate stranded assets.

A coal plant prolongation should be possible only if a fair and independently conducted **Resource Adequacy Assessment**, shows it is essential^{28,29}. Moreover, that assessment must take into account first the potential to achieve resource adequacy with measures that are more commensurate with EU environmental and social goals. Where not available, coal plant prolongations should be justified through an independently-conducted case by case assessment of whether the capacity need could not be met first through rapidly scaled-up energy efficiency measures, then through storage, demand-side management, interconnections or through renewable energy investments.

Prolongations for coal power plants should consequently be subject to extremely strict measures in order to be considered temporary, including:

- A clear closure date before 2025
- Defined lifetime operating hour limits
- Do not involve extensions of new hard coal mines
- A resource adequacy assessment justifies their need

Coal plant (and mine) extensions should also be considered with enormous **caution from a just transition perspective**: any extension involving recruitment or relocation of new workers is unlikely

²⁸ A European-level resource adequacy assessment will be available in November 2022, provided by ENTSO-E. Available at: <https://www.entsoe.eu/outlooks/eraa/index.html>

²⁹ An appropriate methodology for a fairly and independently conducted Resource Adequacy Assessment is demonstrated though that used by ENTSO-E. Available here: <https://www.entsoe.eu/outlooks/adequacy-methodology/>



to be a temporary measure, as those workers may need to be trained, and risks giving unrealistic hope to workers and communities about coal’s future - a point explored further below.

If investments do take place to secure operation during an emergency period, structural lock-in could be avoided by ensuring such investments are accompanied by an equivalent or higher value investment by the investor or beneficiary in sustainable renewable energy, energy storage or in energy efficiency measures (especially when the investment is supported by public funds).

Just Transition and safeguards

Existing coal plant workers and their communities may be left confused and betrayed by a mixed message about coal’s future when a coal plant restarts or is extended. This might negatively impact the success of, and interest in, reskilling and up-skilling schemes rolled out by Member States and employers, including those supported by the Just Transition Fund (and possibly other EU Funds). The data in the table below shows current plans and announcements for new worker recruitment by the coal industry in EU countries. This data should be tracked and treated as a signal of increased risk for just transition.

Country	Company/plant/mine	Workforce demand and related announcements (formal and informal)
Germany	RWE	Suspended the process of sending its employees into early retirement ³⁰
Germany	LEAG/Jänschwalde	While figures remain unconfirmed, estimates of around 200 extra workers needed have been cited

³⁰ See article (13th August 2022):

<https://www.wiwo.de/technologie/wirtschaft-von-oben/wirtschaft-von-oben-171-europaeische-kohlekraft-hier-stehen-die-drei-groessten-braunkohle-kraftwerke-deutschlands/28596058.html>



In line with the above, and to ensure that unintended negative social and environmental repercussions are avoided, extensions of coal plant operations granted by the relevant national authorities should only be given where:

- **A clear statement about any new closure date, by or before 2025, is communicated to stakeholders. This could be through an update or addendum to relevant strategic documents at national and/or regional level, or a company level just transition plan, to include a new timeline for closure:** in order to minimise uncertainty and the risk of mixed messages about the direction of the transition. This is particularly important in regions where scepticism about the transition to climate neutrality is high.

Any update to strategic documents should not dilute ambition and timeline changes should be backed up by an independent resource adequacy assessment confirming the necessity and extent of the measures.

- **Targeted just transition support for workers, including existing and new/returning workers, is given:** coal industry workers need clarity and certainty about future career prospects. Any extension should be accompanied with clear communication about the impact of the extension on a worker's contract, retirement conditions and the end date for that contract, even if the contract is extended.

The workers (and their communities) should likewise be offered tailored support, including a transition period, to help them move towards a new sustainable job (or retirement). This may require the development of a job-to-job transition programme with the public authorities and their utilities. Recruitment of new workers must be a last resort and should be combined with a clear career path to a sustainable sector. The conditions for such just transition support should be negotiated through social dialogue and embedded into collective agreements, in addition to the TJTPs.

- **A regional/local level heating and cooling plan, in line with the requirements of the Energy Efficiency Directive recast proposal³¹ is developed to help localities plan their transition towards sustainable and renewables-based heating systems.** To be effective, such plans should ensure the phase out of fossil fuels, for coal by 2030 latest and for fossil gas by 2035 at latest, whilst ensuring climate neutrality by 2040.

³¹ https://eur-lex.europa.eu/resource.html?uri=cellar:a214c850-e574-11eb-a1a5-01aa75ed71a1.0001.02/DOC_1&format=PDF



Coal phase-out dates

Unjustifiable beyond 2025

There is no justification for extending existing coal phase-out commitments beyond 2025 as this is neither temporary, nor necessary, to respond to immediate energy security needs. Energy security, according to the IEA, means the uninterrupted availability of energy sources at an affordable price. As such it does not require energy to indigenous and could be delivered through energy interconnections and supported through efficiency measures.

All Russian fossil fuels can be replaced without new fossil fuel infrastructure or coal combustion, being fully replaced by 2025 through energy savings, electrification, renewable energy sources and other supportive solutions, without investments in new fossil fuel infrastructure^{32,33}.

Coal phase-out commitments must be kept, in order to provide a clear and safe regulatory and financial landscape for RES deployments and other enterprises operating in coal-dependent regions.

What's more, a switch to a renewables-dominated power system is affordable: Ember has recently modelled that Europe can achieve an almost fully decarbonised, reliable and expanded power system with comparable overall cost to Europe's current plans (which assume a smaller and more polluting electricity supply) and saving €1 trillion or more by 2035, alongside benefits to climate, health and energy security³⁴.

Summary guidance on how to avoid structural coal lock-in

To avoid coal lock-in, coal prolongations as emergency responses to the impacts of the war in Ukraine must meet 6 main conditions:

1. **Be temporary:** meaning they do not extend beyond 2025; are ideally also capacity limited; they do not require new investments, nor the development of new mines or relocations. The limits should be legally binding.

³² "EU can stop Russian gas imports by 2025", Ember, March 2022. This showed that by 2025 Russian gas imports can be replaced by a combination of additional energy savings, electrification, renewable energy sources and increased gas imports from existing infrastructure.

³³ Repower for the People, CAN Europe, May 2022. This builds on the EEB and CAN Europe Paris Agreement Compatible (PAC) scenario to show that if adequate measures are taken without delay, the reduction in fossil gas demand by 2025 will already equal the total amount of fossil gas imports from Russia to the EU in 2021.

³⁴ New Generation: Building a clean European electricity system by 2035, Ember, June 2022.



2. **Be limited:** to coal plants which comply with emission limit values under the latest BAT conclusions. Where this is not viable following an independent Resource Adequacy Assessment, operation hours should be limited to 1500 hours per year or below.
3. **Be justified:** through both national and European Resource Adequacy Assessments following ENTSO-e's methodology to verify that the capacity ensuring resource adequacy could not be achieved with investments in energy savings, demand-side response, renewable energy, energy storage, or other sustainable solutions.
4. **Be accompanied by measures that reduce gas use by at least the amount of excess electricity generated by the coal plants whose lifetime was extended.**
5. **Are not accompanied by measures which could cause structural damage to EU's climate goals,** such as the weakening of the EU ETS through the use of allowances from the Market Stability Reserve (MSR) to fund the REPowerEU plan or waiving the Do No Significant Harm Principle (DNSH).
6. **Protect a just transition in coal regions by upholding the certainty of coal phase-out and by strengthening planning for a just transition.** This means closures dates must be clearly communicated and any additional measures necessary to protect workers and communities taken.

What is needed now

This document sets out some of the main risks of locking-in coal presented by the EU's response to the energy crisis aggravated by the War in Ukraine. This response aims to ensure security of energy supply³⁵ while not derailing climate and environmental protections.

In order to fulfil these objectives, we call on the EU Commission and the Member States to take action to avoid the EU's short and mid-term response unwittingly embedding a dangerous dependence on coal and other polluting fossil fuels, derailing EU climate action and siting Europe's social goals on fragile ground.

The EU Commission must:

1. **Prevent a coal and fossil fuel lock-in by ensuring emergency measures are time-limited.** Ensure that extensions to coal operations are clearly time-limited and reflected in updates to relevant strategic documents. The European Commission must critically evaluate any

³⁵ Energy security also includes a requirement for energy to be affordable.



state aid that could prolong coal against the reality that Russian fossil fuels can be replaced without new fossil fuel infrastructure by 2025. They must demand, through state aid approval processes and approvals of national strategic documents (such as TJTPs and NECPs) the clear communication of end dates for emergency measures and coal plant operations - and ensure these are no later than 2025.

State aid for fossil fuel facilities, including coal, should be subject to installations being subject to strict operating limits and closure dates before 2030 in line with the Paris Agreement. Any state aid for coal should therefore be accompanied by guarantees that remaining coal operations will be phased out in line with national and EU goals and commitments - meaning that all coal extraction and use must be phased out by 2030 at the latest. The necessity of such aid must also be backed up by an independent resource adequacy assessment. Likewise, the Commission must remain vigilant and uphold high transparency standards on state aid, asking for environmental and security of supply conditions for any aid given.

2. Ensure just transition is factored into the response to the energy crisis.

Kick start a discussion on the implications of REPowerEU measures, including coal plant extensions, on the just transition, for instance at the EPSCO³⁶ Council and in the relevant Social Dialogues - to identify how to avoid that REPowering the EU derails a just transition. The Commission should furthermore work with Member States to ensure TJTPs are adopted reflecting the highest ambition possible.

3. Communicate clearly that the energy crisis is a fossil fuel-driven crisis.

Step up communication that measures are temporary and that Russian fossil fuels can be replaced without new investment in fossil fuel infrastructure by 2025. The Commission must also continue to communicate clearly and unambiguously about the source of energy price rises, to ensure that the blame for the energy price crisis falls firmly with those most responsible for it: fossil fuels, and not sustainable energy and climate action policies.

4. Strengthen EU renewable energy commitments to accelerate the transition to green, secure energy.

Work with the co-legislators to boost the EU renewable energy target to at least 50% renewable energy by 2030, as demonstrated to be feasible by the PAC Scenario.

5. Carefully monitor other national responses to the energy crisis and raise an early flag on any risk of fossil fuel lock-in.

³⁶ Employment, Social Policy, Health and Consumer Affairs Council



Monitor the situation on the ground, including for IED derogations, and ensure that any gas to carbon-intensive fuel will be limited to the minimum possible and will not create lock-ins, or result in irreparable or excessive damage to the environment and public health, as set out in the Communication “Save Gas for a Safe Winter”.

6. **Avoid any weakening of environmental policy and remove policies that contradict the goal to reduce EU dependence on price-volatile and climate damaging fossil fuels, including fossil fuels from Russia.**

Support the Council and European Parliament in a decision to reverse the proposal to auction MSR allowances and under no circumstances use revenue from auctioning emissions allowances for new fossil fuel infrastructure. The EU must also work with co-legislators to remove the blanket Do No Significant Harm derogation under the REPowerEU chapters of the Recovery and Resilience Facility, and clarify that it does not apply under any circumstance to coal.

Member States must:

1. **Prevent a coal and fossil fuel lock-in by ensuring measures are time-limited and the minimum needed to ensure security of energy supply, upholding and confirming national phase-out and plant-level closure dates by or before 2030.**

Member States should commission independent resource adequacy assessments, following the criteria and methodology of ENTSO-E to identify where coal prolongations and other fossil fuel operations are not necessary. Member States should also avoid coal prolongations / permits beyond 2025.

2. **Accelerate their transition to renewables and boost energy savings.**

Member States should deploy all measures to accelerate the transition to a safe, secure and sustainable energy system as soon as possible, including through launching renewable energy auctions and raising national renewable and energy efficiency targets, while identifying and supporting those who need most help to engage in the transition. Additional funds should be raised to accelerate the energy transition.

3. **Ensure just transition is factored into the response to the energy crisis.**

Member States must launch open and transparent social dialogues with social partners, companies and utilities to ensure that the rights and needs of workers are respected as part of the response to the crisis. Civil society, municipalities and communities must also be engaged in a dialogue to ensure that social impacts of response measures are taken into account and that adequate support to ensure a just transition for all is available.



They should also ensure that permit extensions have a fixed end date and that this is clearly communicated to workers, who must likewise receive support to plan and make their steps to a new career in a more sustainable sector which provides decent jobs of similar quality to those they leave.

Finally, the relevant strategic documents, such as TJTPs, should be updated in the event of any new investment or change in the foreseen timeline to provide certainty of direction to the regions and communities concerned. However, this must not be used as an opportunity to dilute ambition and any changes should be backed by an independent resource adequacy assessment.

4. **Avoid any weakening of environmental policy and remove policies that contradict the goal to reduce EU and national dependence on price-volatile and climate damaging fossil fuels, including fossil fuels from Russia.**

The Member States should reject the do no significant harm derogation in the proposal for new RePowerEU chapters under the Recovery and Resilience Facility. They should likewise work so that the whole fit for 55 package pulls the EU out of Russian fossil fuels as soon as possible, towards its 2030 climate and energy targets, ensuring that the commitments under the Paris Agreement are kept. This means as minimum supporting the increased 2030 renewable energy target to 2030 and rejecting the Commission's proposal to release MSR allowances to finance Recovery and Resilience Plans and, under no circumstances, using ETS auction revenues for fossil fuel investment.

The European Parliament and the Council must:

1. **Avoid any weakening of environmental policy and remove policies that contradict the goal to reduce EU dependence on price-volatile and climate damaging fossil fuels, including fossil fuels from Russia.**

The co-legislators must reject the Commission's proposal to auction MSR allowances and under no circumstances allow revenue from auctioning emissions allowances to be used for new fossil fuel infrastructure. They should instead identify alternative sources of funding, such as from auctioning ETS allowances that would otherwise be allocated for free. The co-legislators must also remove the blanket do no significant harm derogation under the proposed new RePowerEU chapter of the Recovery and Resilience facility, and clarify that it does not apply under any circumstance to coal.



2. **Monitor and hold to account the EU and national responses to the energy crisis, raising an early flag on any risk of fossil fuel lock-in.**

Demand the Commission provide updates on state aid given to fossil fuel facilities as a response to the war in Ukraine and the energy crisis, as well as any IED derogations granted.

3. **Strengthen EU renewable energy commitments to accelerate the transition to green, secure energy.**

Support an increase in the EU renewable energy target to at least 50% by 2030.



ANNEX: Exploration of further issues and risks in the EU crisis response

Lack of clarity over what constitutes ‘temporary measures’

The “Save Gas for a Safe Winter” Communication³⁷, presented the EU’s gas reduction plan. The plan sets out how the EU should cut 15% of its annual gas consumption through demand reduction and fuel switching measures, in preparation for further downscaling or even a complete shut off of Russian gas imports over the winter.

It includes guidance for member states on potential gas to coal switching in the energy mix, which could result from higher gas prices and the intention to limit gas consumption for power generation. While it recognises that, “*these should be always considered as short-term temporary measures and reversible, as to not to create long term carbon lock-in,...*” there is a lack of clarity over what constitutes short-term and temporary.

Note: for winter 2022/2023 the original European Commission Communication from July 2022 highlighted the risk that the minimum 80% gas storage filling target for November outlined in the EU storage Regulation could be missed, however, due to the absence of a full disruption during August, EU member States now have average gas storage levels of well-above 80%. This means that the likely need for gas to coal switching during winter 2022-23 is much lower, if accompanied by energy savings measures and continued efforts to boost energy storage and renewable energy.

What is needed?

In order for measures to be truly temporary, they should be clearly time-limited. Moreover, there can be no justification for extending measures beyond 2025 as modelling shows that all Russian coal and gas can be replaced with renewable energy and energy savings by this date.

The duration of measures to allow for gas to coal switching should initially exceed no longer than 1 year and be granted on a case by case basis. Modelling shows that between now and 2025, the subsequent increase in sustainable renewable energy and energy efficiency solutions could replace the amount of coal and gas imported from Russia, making these measures obsolete.

³⁷ “Save Gas for a Safe Winter” <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022DC0360&qid=1658479881117>



Industrial Emissions Directive derogations

The use of the derogations foreseen by the Industrial Emissions Directive (IED) as a means to save gas are not expected to enable increased coal use, as no specific derogation is envisaged in the legislation. However, Member States should avoid any switch to more polluting fuels.

The European Commission's Communication does not specify which IED derogation can be used to temporarily switch from gas to other fuels. We assume the Communication refers to the following:

- Art 30 (6): [...] *a combustion plant using only gaseous fuel has to resort exceptionally to the use of other fuels because of sudden interruption in the supply of gas and for this reason would need to be equipped with a waste gas purification facility. The period for which such a derogation is granted shall not exceed 10 days except where there is an overriding need to maintain energy supplies.*

Importantly, this derogation applied only to one specific installation and is therefore only applicable to fuel switching within that installation. As switching from gas to coal combustion in the same installation is not technically feasible without a complete reinvestment, this could be possible to apply only to switching between gas and oil.

In any instance, derogations that enable fuel-switching to more emissions intensive fuels should come as a last resort after all other measures to reduce gas consumption have been implemented. Anticipating gas shortages in the Pre-Alert phase of the “Save Gas for a Safe Winter” Communication would reduce any potential use of the IED derogations to a minimum. In particular, the Communication states that optimising the capacity of the gas network, gas to clean energy source switches and a higher attention to energy efficiency “*would overall eliminate or reduce any potential winter shortage by more than half*”.

The “Save Gas for a Safe Winter” Communication further notes that, “*the exceptional and temporary nature of such derogation requires continuous monitoring and notification to the Commission, and also Member States should notify to the Commission any relaxation of pollutant emission rules being considered as part of fuel switching plans. Such relaxation should be a last resort and be considered only after all other demand management measures and cleaner fuel switching possibilities have been exhausted.*”



Temporary Crisis state aid

The amended temporary crisis state aid guidance³⁸ introduced as part of the RePowerEU package will apply for aid granted until at least the end of 2022, and for some measures until June 2023. However, even temporary aid could provide the conditions for a structural lock-in of coal to the detriment of fully unlocking the opportunities presented by renewable energy and linked solutions. This is because measures that boost the short-term profitability of coal could incentivise renewed investment in coal and could divert resources that could otherwise support investments that accelerate the shift to a sustainable-renewables-based system.

Risk of coal plant refurbishment

The first risk arises from investments in **refurbishment of facilities to save gas**. As the investment doesn't necessarily have to be a conversion of a gas plant, this could potentially mean refurbishment of coal facilities might be possible³⁹. While aid should theoretically be incompatible with state aid rules if it is used simply to refurbish a coal plant to adapt it to Union standards (such as emissions standards), because it fails to have an incentive effect, there remains a risk in the temporary crisis response situation. .

The guidance includes some further safeguards, noting that such conversions would be considered *"...on a **case-by-case** basis"* and that aid should be, *"...in line with the Commission Communication **"Save gas for a safe winter"** and the national gas security of supply emergency plans..."*. It also notes that the supported refurbishments should be, *"...for a **limited period of time**...[and the more polluting fuel replacement] should have the **lowest possible emissions content**... and **avoid lock-in effects beyond the crisis**, in line with EU climate objectives."*

It is pivotal that the Commission ensures these safeguards are respected and interpreted strictly. In most cases, this should be sufficient to prevent any coal refurbishments; however, it is regrettable that the time-limitation is not specified. Measures that can avoid lock-in effects beyond the crisis could be most easily established through a closure date for the plant before 2025, or through a national coal phase-out date.

Public investment aid will always be better spent on renewable energy, energy savings or energy storage solutions. Refurbishment or retrofits of coal plants, fossil gas thermal power plants or fossil gas based district heating to burn coal or biomass would take time, doing little to address the

³⁸ COM(2022) 360/2, 20.7.2022 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.CI.2022.131.01.0001.01.ENG>

³⁹ Amendment to the Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia; C(2022) 5342 final 26 quarter



current crisis. Moreover, these investments will inevitably be stranded as climate targets are met, meaning public money is wilfully wasted.

Aid that improves the economic environment for coal

A second, more indirect risk is that coal power could be favoured by aid that improves the economic environment for coal. This could result from general reductions in taxes, network costs or levies for commercial energy consumers; which is not considered state aid if such measures are of a general nature or are directed at consumers; because these energy cost reductions for energy consumers could indirectly support the use of expensive coal. More detail is provided in the section on interventions in energy prices.

This might also occur where aid is provided to energy intensive users to **mitigate damage directly caused by the current and exceptional situation of the War in Ukraine and the counter measures taken by the EU towards Russia**. This aid is likely limited to compensation for companies experiencing additional costs due to 'exceptionally severe increases in fossil gas and electricity prices'. While limited to compensation only, Member States do not have to make sustainability requirements mandatory and are only invited to consider non-discriminatory conditions to access this aid relating to environmental protection or security of supply⁴⁰. The consequence is that a trade-off may be created, whereby security of supply concerns override environmental protections, potentially also at the expense of more sustainable choices.

What is needed?

First, the Commission must treat any request to provide aid to refurbish or retrofit coal plants, or to retrofit other operations for burning fossil fuels, **with extreme caution**. In any case, aid that allows plants to merely meet Union standards is likely to be incompatible with the internal market as aid to adapt to union standards is not considered to have "an incentive effect".

Public investment would always be possible and better spent on renewable energy, energy savings or energy efficiency solutions over the timelines concerned and potential aid for other measures should therefore be considered instead.

Whenever public investment is made, it must be subject to binding legal conditions including the development of a closure plan in line with a coal phase out of 2030 or earlier, communicated clearly to all stakeholders and workers and accompanied by relevant just transition measures.

⁴⁰ Section 1.4, point 24.



A resource adequacy assessment should also confirm that capacity needs could not be met first through rapidly scaled-up energy efficiency measures, then through storage, interconnection or through renewable energy investments. Renewable energy auctions of equivalent or higher capacity should, as a prerequisite, be conducted in the event any investment aid in fossil fuel infrastructure is given. Finally, the plant receiving investment should be subject to operating hour limits compatible with an emissions reduction trajectory consistent with the Paris Agreement.

Second, requirements to access aid should include both environmental protection and security of supply criteria. Security of supply investments supported by aid must be compatible with the transition to a 100% renewable-energy based system. For example, companies should first be required to demonstrate they have explored all energy savings solutions to ensure continuation of economic activity, then other sustainable renewable energy based solutions, before aid for any other investment or activity can be provided. Direct aid to coal is also not feasible via capacity mechanisms due to the CO₂ emission limit threshold.

Third, spinning-off coal assets by utilities (to the state) to get rid of declining business lines can also entail requests for state aid. The Commission should not allow for such aid schemes as they do not lead to overall fossil fuel capacity reduction and therefore have no impact on diversity of supply.



This Paper was issued by the Europe Beyond Coal campaign in October, 2022.

Europe Beyond Coal is an alliance of civil society groups working to ensure a just transition to a fossil-free, fully renewables-based European energy sector. This means exiting coal entirely by 2030 at the latest, and fossil gas by 2035 in the power sector. This independent campaign is committed to transforming the European energy system so that it protects people, nature and our global climate: www.beyond-coal.eu

<https://beyond-coal.eu/>

The following organisations contributed to the development of the paper:

CEE Bankwatch
ClientEarth
Climate Action Network Europe
Ember
European Environmental Bureau
The Green Tank
WWF

Contact: Hello@beyond-coal.eu

Disclaimer

This publication and related materials are not intended to provide and do not constitute financial or investment advice. Europe Beyond Coal campaign or the organisations that have contributed to the development of this briefing make no representation regarding the advisability or suitability of investing in or divesting any particular company, investment fund or other vehicle or of using the services of any particular entity, pension provider or other service provider for the provision of investment services. A decision to invest in or to divest should not be made in reliance on any of the statements set forth in this publication. Whilst every effort has been made to ensure the information in this publication is correct, we cannot guarantee its accuracy and Europe Beyond Coal campaign or the organisations that have contributed to the development of this briefing shall not be liable for any claims or losses of any nature in connection with the information contained in this document, including (but not limited to) lost profits or punitive or consequential damages or claims in negligence.