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WORKING PROGRAMME ON SOLID FUELS

(Communication from the Commission to the Council)

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Preface

In October 1981, the Commission presented to the Council guidelines and priorities for Community energy strategy aimed at reducing the Community's dependence on imported oil through diversification of energy supplies and rationalisation of energy use¹. This approach was generally welcomed by the Council and by the European Parliament.

The Commission's Communication on energy strategy emphasised the particularly important rôle for coal and other solid fuels in the transition away from oil; and at its 787th meeting on 13 July 1982, the Council acknowledged that major progress in diversifying the Community's sources of energy supply could be made between now and the year 2000 only by increased use of coal and other solid fuels, as well as nuclear energy.

Meanwhile, there have been important developments on the world oil markets. Over the past 18 months there has been a decline of some 10% in the nominal dollar price of crude oil imports to the Community and an even steeper decline real terms. So far the effects have been to a large extent offset by the appreciation of the dollar against a number of Community currencies; but there is great uncertainty about future market developments and about their effects on consumer prices for oil products and on the competitiveness of other energy sources.

¹COM(81)540 final : The Development of an Energy Strategy for the Community

The Commission is currently analysing the implications for Community energy strategy of recent trends and prospects and, before the next meeting of the Council (Energy), it will submit a Communication setting out its findings. Hitherto, Community energy strategy has been assisted by high and rising oil prices which have provided a significant stimulus to fuel switching, energy conservation and investment in new energy supplies and technologies. But this market stimulus is now weakening. A central issue for the Commission's Communication will be whether and to what extent in these circumstances there should be some reinforcement of action by public authorities so as to sustain progress towards the Community's long term energy objectives.

This is the context in which the Commission has drawn up the following programme of work for the solid fuels sector. It is the logical continuation of an approach to solid fuels towards which the Community has been working for the past 12 months on the basis of separate Commission Communications on coal¹ and lignite and peat². It follows three meetings of the Council which have debated solid fuels policy and an informal meeting of Ministers in Copenhagen on 16 December 1982, entirely devoted to this subject, at which Ministers made clear that they considered it in their common interest to seek progress towards a balanced and comprehensive policy for solid fuels.

Although this Communication indicates what Community actions are necessary on each of the main issues arising in the solid fuels sector, it does not quantify their cost. This is because the Commission is analysing in greater depth the implications of certain of the proposals outlined. But it is already clear that, if the Council agrees to move forward on the lines suggested, there would have to be a substantial increase in the budgetary credits available for Community action in this sector.

¹O.J. C105 of 26.4.1982- The rôle for coal in Community energy strategy

²COM(82)649 final of 18.10.1982 - Report on the Brown Coal and Peat Industries in the Community

I. Wider use of solid fuels

The Commission underlines first of all that solid fuels strategy requires both a firm commitment and active policies by Member States to ensure that a substantial market for these products is developed and maintained. The arguments for increasing the share of solid fuels in primary energy consumption are set out in the Commission's Communication of 10 February 1982 (1).

The industrial sector is the main area where consumption could be increased in the medium and long term. It deserves therefore particular attention. The Commission has already presented to the Council two sets of proposals in this area.

- a) Two Recommendations to the Member States concerning measures to be taken to encourage investment in the conversion or reconversion to solid fuels of oil-fired plant in industry, public buildings and in district-heating systems. Favourable opinions on these Draft Recommendations have been given by the ECSC Consultative Committee (2), the European Parliament (3) and the Economic and Social Committee (4).

- b) A Regulation on the payment of financial incentives in support of categories of investment in the rational use of energy (5).

(1) The rôle for coal in Community energy strategy, OJ C105, 26 April 1982
(2) OJ C147, 11 June 1982
(3) OJ C149, 14 June 1982
(4) OJ C205, 9 August 1982
(5) OJ C285, 30 October 1982. The European Parliament has entered a credit of 1 MECU under this heading in the 1983 budget.

Of these categories, the following are directed towards the wider use of solid fuels :

- generation of heat for remote-heating systems from solid fuels;
- conversion of industrial oil-fired plant to solid-fuel firing;
- preparation of solid fuels for users other than power stations and coking plants.

The Economic and Social Committee (1) gave a favourable opinion on this Draft Regulation and the European Parliament is preparing its opinion.

In the meantime the Council's subordinate bodies appear to have made sufficient progress in their talks on these two series of proposals for the Council to adopt both at one of its forthcoming meetings.

Finally, the Commission recently introduced, as provided for by the ECSC Treaty, a system of interest rebates on industrial loans to help finance installations and equipment for the combustion, transformation, handling and preparation of coal and for the treatment and disposal of effluents, provided their purpose is to promote the consumption of Community coal (2).

Conclusions

Adoption by the Council of:

- a) the two Recommendations concerning measures to encourage investment in the conversion to solid fuels of installations in industry, in public buildings and in district heating systems;
- b) the Proposal for an EEC Regulation on the payment of financial incentives in support of ^{certain} categories of investment in the rational use of energy.

(1) Doc. CES 925/82, 15 December 1982

(2) OJ C343, 31 December 1982

II. Intra-Community trade in solid fuels

1. General

Intra-Community trade in solid fuels is based almost exclusively on hard coal and coke. Lignite and peat are of minor importance, as the Commission's report on them showed¹.

All coal-consuming sectors share in this trade in hard coal and coke, with coking plants and steelworks consuming the lion's share and power stations, other industries and domestic users sharing the remainder.

Germany is the leading supplier, followed by Great Britain.

The trade has been on the decline for a number of years, despite a slight upswing in 1981. The figures for the last four years are set out below.

(Million tonnes)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u> (Forecasts)
Coking coal	7.0	7.9	5.8	5.9
Power station coal	5.5	6.8	6.9	6.8
Anthracite and other	4.7	5.2	3.9	3.1
<u>Total coal</u>	<u>17.2</u>	<u>19.9</u>	<u>16.6</u>	<u>15.8</u>
Coke	7.6	6.9	5.6	5.9
<u>Grand total</u>	<u>24.8</u>	<u>26.8</u>	<u>22.2</u>	<u>21.7</u>
	====	====	====	====

The main reason for the 1981 increase in intra-Community trade in hard coal was that British coal producers, spurred by the shortfall in supplies from Poland, supplied an extra 3.6 million tonnes.

The total intra-Community trade in hard coal and coke (expressed as coal equivalent) forecast for 1983 is equivalent to roughly 10% of the Community's indigenous production and 33% of the Community's coal imports.

¹Doc. COM(82)649 final of 18 October 1982

Very often this trade follows traditional trading patterns. Consequently, the decline is often the direct result of the reduced requirements - or even the complete disappearance - of specific customers. This is particularly true of the coking coal or coke deliveries traditionally made by German producers to steelworks in other countries, or, again, of the coal for briquettes for home heating.

Another factor which has helped curb the volume of intra-Community trade is the substantial price rebate granted on sales of Community coal in other countries, where customers frequently insist on prices aligned on those for coal imported from non-member countries.

Following the slight respite in 1981 - where the price of coal from non-member countries rose sharply under the impact of exceptionally high demurrage and loading charges - the gap between production costs for Community coal and the cif prices for imported coal⁽¹⁾ has been widening, despite the strong appreciation of the US dollar in 1982.

Whenever Community coal is shipped to European ports, where a substantial proportion of, for example, the Community's steelmaking activities are based, the price alignment must also offset the transport costs incurred, which, as the few typical examples in the Table show, range from 5 to 19 ECU per tonne depending on the link in question, the capacity of the vessel and the form of the contract.

(1) Note that the differences between the cif prices for coal from non-member countries from one Community port to another are relatively insignificant.

Transport cost for coal

<u>Link</u>		<u>ECU per tonne</u> ⁽¹⁾
Ruhr	Dunkirk	11
	Ghent	9
	Rotterdam	5
	Genoa	12
Yorkshire/ Midlands	Le Havre)	
	Antwerp)	
	Rotterdam)	16 - 19
	Hamburg)	
	Copenhagen)	
South Wales	Genoa	19

For a number of reasons (distance, tariff regulations, method of transport) the cost of forwarding the non-Community coal from the ports where it is imported to the steelworks inland is often lower than the carriage costs for Community coal. In the final analysis, the transport differential militates against Community coal except where the consuming industry is located close to the coalfields (2).

As a result, coal producers are generally unwilling to sell at aligned prices - particularly in other Community countries - unless :

- a) they wish to maintain their production capacity - or perhaps even their sales outlets - and feel that it is cheaper to dispose of some of their products in this way than to store the surplus for lengthy periods and/or take temporary measures to cut back production;

(1) Including costs for the haul from the mine to the port.

(2) Some examples of transport costs :

Ruhr-Lorraine	14 ECU per tonne
Ruhr-Liège	6 ECU per tonne
Saar-Lorraine	4 ECU per tonne
Aachen-Luxembourg	13 ECU per tonne
(coke)	

- b) if financial aid from the national or Community authorities helps them to recoup a large proportion of the alignment rebates granted to customers in other countries.

On the other side buyers are not prepared to pay a higher price than that charged for coal from competing sources unless they feel that this would improve their security of supply at an extra expense which is not excessive.

In conclusion, maintenance and promotion of intra-Community trade calls for a combined effort by :

- the producers who charge prices lower than their production costs plus transport costs;
- the buyers who must weigh up the relative costs and benefits of greater security of supply and of easy links with the suppliers close at hand;
- in some cases, the public authorities who can also intervene, principally for strategic, regional or social reasons.

2. Coking coal and coke for the steel industry

The situation described above applies particularly to these products which account for the major share of intra-Community trade.

According to figures available at the end of 1982, the difference between the Ruhr list prices and the guide price for imported coking coal (82 ECU) is DM 68 (28 ECU) per tonne of the same quality.

The transport differential in favour of Community coal and the alignment margin at certain typical points of consumption are of the following order of magnitude (in ECU per tonne) :

	<u>Differential</u>	<u>Alignment margin</u>
Genoa	12	12 + 28 = 40
Rotterdam	3	3 + 28 = 31
Thionville	3	3 + 28 = 31
Liège	2	2 + 28 = 30

Under the present arrangements, a proportion of this alignment margin is covered by national aid and another by Community aid which serves as support for intra-Community trade.

The Community arrangements for coking coal(1) have so far made it possible to maintain sufficient production capacities in the Community to ensure that the mines can work in acceptable conditions and to secure supplies for the steel industry on reasonable and non-discriminatory terms. It has also made a rational use of the existing coking plants possible.

This is of importance to both the coal mining industry and steel industry. The General Objectives for Steel 1985 and the restructuring measures which are expected to follow necessitate a revision of these arrangements. This must be undertaken by the end of the year and - as the Commission has already indicated - become part of the Community's energy strategy.

The following features of the present arrangements should be maintained while respecting the rules on competition laid down by the Treaty:

- Community rules on the calculation of national aid for coking coal production;
- national and Community aid to be granted solely on tonnages supplied under regular long-term contracts;
- publication by the Commission of a guide price for coking coal on the world market.

(1) These incorporate three elements: national aid, financing of Community aid, pricing rules.

The maximum volume of trade in respect of which Community aid may be granted could be set at 10 million tonnes per year instead of the current 14 million tonnes, in view of the overall reduction in the steel industry's coking requirements and the changes in traditional patterns of trade as recorded in the General Objectives for Steel 1985.

The average rate of marketing aid - which is currently fixed at 3.10 ECU per tonne - should be appreciably increased to take account of the gap between Community coal production costs and the delivered price for imported coal.

World market prices are expected to fall this year and this could lead to a further increase in the alignment margin. Community aid might also be gradually reduced so that by the time the arrangements expire the cost of coke supplies are borne in full by the steel industry.

This would mean that the amount of Community aid for coking coal would, at least for some years to come, have to be appreciably greater than it has been.

The maintenance of a sufficient production capacity for coking coal helps to strengthen the rôle of coal in supplying the Community's energy requirements.

This measure could also improve the general employment situation and could favour the harmonious development of economic activity both upstream and downstream of the mining industry, thus contributing to the achievement of the Community's essential aims.

In view of these circumstances, the Commission considers that the action falls within the framework of the EEC's activities. The Commission will present to the Council an appropriate Draft Regulation, based on Article 235 and will provide for the insertion of a heading for this purpose in its preliminary Draft for the 1984 budget.

It is intended that the other parts of the coking coal system relating to national aids and the commercial rules will continue to be dealt with in the framework of the ECSC Treaty and will form the subject of the appropriate Commission decisions according to need.

3. Other types of coal

The arrangements described above for coking coal might also be considered *mutatis mutandis* for intra-Community trade in industrial or domestic coal since they would ensure greater security of supply and a greater volume of trade.

The pattern of trade in domestic coal rarely necessitates alignment and tonnages are small and highly fragmented.

As regards steam coal for which there are greater tonnages, the Commission submitted a proposal for a Council Regulation for a Community aid system for intra-Community trade in power station coal(1) in 1978.

Under this proposal, aid of 10 ECU per tonne would be granted for such deliveries provided they do not exceed 10 million tonnes of coal per year, to be divided in the form of annual quotas among the five producer countries (Belgium, Federal Republic of Germany, France, Ireland and the United Kingdom).

(1) OJ N° C243 of 13 October 1978

At the end of 1982 the difference between the cost of Community steam coal and the price of imported steam coal (around 62 ECU per tonne) amounted to at least 30 ECU per tonne before account is taken of the transport costs indicated on page 5 above.

The Commission proposes to examine with the Member States the desirability of developing long-term intra-Community trade in steam coal, taking into account the latter's availability and the requirement for security of supply. If the development of such flows should appear possible, the Commission would be ready to propose launching them through the medium of limited Community aid.

Coal users are well-placed to assess the security value of a development in intra-Community trade. The Commission intends therefore to consult with interested associations on this issue.

4. Lignite and peat

As the Commission's report concludes, there is little intra-Community trade in these products owing to their nature and no aid would hence be necessary in the present circumstances.

5. Transport

The Community has a highly developed surface transport network (rail and inland waterways). The road network plays a small rôle for local transport operations.

Intra-Community transport has been steadily modernized but is not used to capacity today. Its cost is relatively high compared with sea-going vessels, which can carry the equivalent load of at least 30 European trains.

There are many well-equipped sea ports which can handle international coal traffic. Their handling capacity often exceeds the tonnage of vessels normally used to carry coal by sea.

Three countries (Greece, Ireland and Italy) are planning to build coal-handling ports with a view to importing more coal. The Commission is unable at present to quantify the scope of the investment and the corresponding costs but is ready to examine, on the basis of information to be provided by the Member States, the advisability of Community intervention.

Investment aid for infrastructures of this kind may already be obtained for Greece, Ireland and Southern Italy under the Community's regional policy. They might also be eligible for EIB loans from its own resources or the NCI. Ireland and Italy may also qualify for interest rebates on some of these loans under the European monetary system¹. ECSC loans may be granted to facilitate Community coal trade.

6. Conclusions

- (a) At the end of March 1983, the Commission will present a draft Council Regulation for coking coal based on Article 235 of the EEC Treaty and dealing with the financial aspect of the coking coal system. The Commission will consult the Council on other aspects in accordance with the rules of the ECSC Treaty.

- (b) The Commission will obtain from the Member States the information necessary to complete its evaluation of the problems of intra-Community trade in, and transport of steam coal. In the meantime, it will gladly welcome any suggestions that might be made by the other Community institutions.

¹ Regulation EEC 1736/79 which expires on 31 December 1983
O.J. L200 of 8 August 1979

III. Modernization and rationalization (restructuring) of the production of coal and other solid fuels

In a paper on the rôle of coal¹, the Commission has emphasized the importance of having an indigenous solid fuels industry. This means modernization measures to improve operating methods and restructuring measures to put the finances of the companies on a sound footing.

1. The modernization of coal mining

In the first place there must be an increase in investment in the Community coal industry aimed at modernising economic production capacity (or capacity that is at present only marginally uneconomic).

Following the objectives defined in 1980², the main aim of such investment must be :

- construction of new collieries;
- the creation of new pits linked with existing collieries, or
- the construction of new production capacities in existing collieries in order to increase or stabilise coal production.

Total investment of this kind has exceeded 5 thousand MECUS in the Community as a whole during the past 3 years. Of this total, 807 MECU have been financed by ECSC loans on the basis of Art. 54.1, some of them attracting interest-rate subsidies amounting in total to 14 MECU. The latter amount has been limited by the financial resources of the ESCS budget.

¹OJ C 105 of 26 April 1982, paragraphs 37-42

²OJ 79 of 29 March 1980

For the 1983 financial year the Commission intends to make use of a sum of 9 MioECU for interest rate rebates on new loans to encourage investment in the production and marketing of coal (1st. and 2nd. subsections of Article 54 of the ECSC Treaty).

This appropriation enables rebates to be granted on only about 25% of the loans that are eligible according to the criteria mentioned above.

To give further support to the modernization of coal mines it will be necessary to have available greater financial means. The Commission expects the Council to express its opinion on the desirability of such an increased effort. Later on, the Commission would make proposals about the means of financing that could be applied.

2. Lignite and peat industry

The Commission's analysis of this industry¹ showed that lignite and peat formed reliable and economically viable energy sources and that production and investment financing deserved some encouragement. More use should be made of the Community's financial instruments (EIB, NCI and interest rate rebates within the EMS system as envisaged in Regulation (EEC) 1736/79).

3. Restructuring of the coal industry

Further restructuring of the coal industry will certainly mean closing down a number of unprofitable pits. The process will necessarily be spread over several years so that the resulting difficult economic and social problems can be solved.

The provisions of Article 56(2)(a) and (b), which are already being applied, aim to provide useful measures in connection with restructuring.

¹ See Doc. COM(82)649 final of 18 October 1982

a) Re-training of workers

In application of Article 56 paragraph 2b - and in accordance with bilateral agreements between the Member States and the Commission - the latter provides half of the redundancy aid given to mine workers made redundant by granting non-repayable aid towards :

- a) the payment of tideover allowances to workers to help them find new jobs;
- b) the payment of allowances to undertakings to enable them to pay such of their workers as may have to be temporarily laid-off as a result of undertakings' change of activity;
- c) the payment of resettlement allowances to workers;
- d) the financing of vocational training for workers having to change their employment.

In 1982, applications for the commitment of appropriations under this heading were related to 11 500 miners and amounted to 42 MioECU whereas the average for the previous seven years, including 1982, was 20.4 MioECU/year (some of it in EUA), divided as follows between the four main producers: UK - 52.9%, D - 25.6%, F - 16.1% and B - 5.4%.

While it is expected that requirements for 1983, which are likely to remain at the same high level as appropriations committed for 1982, can probably be covered by the regular resources of the ECSC operating budget, there are also very heavy calls on the same limited resources as a result of the continuing rapid rate of job losses in the steel industry and the margin for manoeuvre will at best be very narrow. The Commission therefore proposes to review carefully its expenditure forecasts on the basis of information it will seek from the Member States about their expectations concerning the employment requirements of the industry and the programmes of readaptation and social measures with which they intend to support restructuring.

b) Industrial reconversion

Article 56 paragraph 2a of the ECSC Treaty and the Commission's Communications based on this Article provide for loans to be granted to economically sound undertakings which create jobs suitable for former workers in the ECSC industries on condition that the undertakings give first refusal for such jobs to ex-ECSC workers (reconversion). These reconversion loans can be accompanied by an interest rebate, granted under certain conditions. Commitments for this purpose amounted to 43 MioECU in 1982 and will be at a similar level in 1983.

At present, it is difficult to give precise figures for future financial requirements in this area because they depend on the rate at which restructuring occurs. The Commission will examine the financial needs, taking into account the augmented rôle that the other financial instruments (including, in particular, the actions envisaged under the terms of the "non-quota" section of the ERDF) will play in the future in the field of reconversion and in relation to the progress achieved in restructuring the coal industry. The Commission will make proposals as necessary on this point, using as a basis the measures that it has proposed for reconversion in the steel sector.

4. Conclusions

- (a) Council opinion on the advisability of giving further encouragement to investments for the modernisation of mines and preliminary debate on the financing procedures.
- (b) Use of other existing Community financial instruments to encourage production and investment in the lignite and peat industries.
- (c) Review, if necessary, of the finance required to support the restructuring of the coal industry.

IV. The problem of stocks

1. The present situation

The difficulties of matching coal production to the fluctuations of demand are well known. Rises and falls in stocks are normal phenomena for the Community's coal industry (as well as for other mining industries).

Nevertheless, since 1980, Community producers' stocks of coal and coke have continued to grow at a tremendous rate, reaching a total of 51 million tonnes of coal and 14 million tonnes of coke at the end of 1982, i.e. 21 and 23% respectively of Community production.

2. Financial problems

The advantage of holding stocks is that it enables the producers to meet a sudden increase in demand e.g. if the economy picks up. The role of stocks in the security of supplies is therefore important. However, stock levels should not be excessive. If they are, the consequences for the companies and their employees are serious. As soon as the technical limits of stock-holding have been reached - as is the case at present in Germany and the United Kingdom - production has to be cut either by part-time working (a very expensive measure) or by closing pits (an irreversible measure).

The total value of the 51 million tonnes of coal and 14 million tonnes of coke held by producers at the end of 1982 was 5 000 million ECU. To finance these stocks companies either have to run up debts with banks or reduce their investment in modernization of production. In view of the present high interest rates it may be estimated that the annual costs of stock-holding - for the amounts in stock at the end of 1982 - are 650 million ECU, or 10 ECU per tonne - in other words 22% of the total sum paid out in national subsidies for current coal production.

3. Measures already proposed

As early as 1977 the Commission proposed introducing a system of Community aid for financing cyclical stocks of hard coal, coke and patent fuel(1). The system, on which the European Parliament(2) and the Economic and Social Committee(3) gave favourable opinions, would have worked as follows :

- stocks equivalent to roughly one month's production (20 mio t of Community production) would be regarded as normal and hence excluded from the aid system;
- stocks in excess of one month's production and up to a level of two months' production (between 20 and 40 mio tonnes) would be regarded as cyclical stocks and hence qualify for partial financing by the Community;
- stocks in excess of 2 months' worth of production (over 40 mio t) would not qualify for the financing system; the cost of financing these stocks would be borne by the undertakings;
- the system ~~should~~ remain in force for three years.

Examination of this draft by the Council proved inconclusive and the Commission withdrew its proposal. One of the reasons put forward against the proposed system was the risk of creating a precedent for other industrial sectors.

The political question is whether stocks of solid fuels at present deserve specific treatment with a view to facilitating in the mining industry investments for modernization which clearly have an interest for the Community.

(1) OJ C87 of 7 April 1977, p.6

(2) OJ C241 of 10 October 1977

(3) OJ C180 of 28 July 1977

4. Stocks in the lignite and peat industry

In a recent report on the lignite and peat industries¹, the Commission noted that production of these two fuels was economically viable. Almost all the lignite is used for generating electricity. In the case of both lignite and peat, production and consumption are both managed by a single undertaking so that adjusting production to consumption is an internal short- and medium-term organisational problem.

Nevertheless, peat production undergoes seasonal fluctuations by reason of the drying process, which can only take place in summer. It is, therefore, inevitable that stocks of this product build up if the power stations, whose consumption is continuous, are to be kept supplied. By contrast with hard coal, here it is not the market which fluctuates, but the level of production. This does not appear to pose problems at present but the Commission would be ready, if necessary, to study the question further.

The problem of cyclical stocks hardly arises in the production of lignite and peat briquettes.

5. Conclusions

- (a) Discussion in the Council on the desirability of a Community intervention to help meet the costs of cyclical stocks.
- (b) Analysis by the Commission of all the problems of storage.

¹Doc. COM(82)649 final of 18 October 1982

V. Increasing the importation of coal

Because the Community has limited reserves of economically workable coal, it is likely that its increasing coal requirements will have to be met by importing from outside the Community. There is therefore a need for an external supply policy.

Community operators already enjoy a strong position on the international coal market, which generally operates satisfactorily. It is in the Community's interest to ensure that this freedom of trade in coal is maintained.

In the Commission's view, it would therefore be worth developing the contacts which already exist, between the Community and the coal-exporting countries. Since there is institutional machinery already in place for regular consultations, this could be used to encourage the examination of areas of the international coal trade which are of special interest and perhaps to discuss possible obstacles to increasing international trade in coal.

Finally, the Commission draws attention to its suggestion about extending the arrangements concerning notification of the price of steam coal imported from non-member countries¹ which has, in the meantime, been submitted to the Council, and which will be useful for following the development of the coal market in a systematic manner.

Conclusions

- a) The Commission will maintain a regular dialogue with the main coal-exporting countries so as to ensure that external supplies are furnished under conditions that are as safe as possible.
- b) Decision of the representatives of the governments of the Member States of the ECSC, meeting in the Council, concerning improvement of Community surveillance of coal imports from non-member countries.

¹Decision 777707 ECSC of 7 November 1977;

¹OJ L292 of 16 November 1977

VI. Helping to solve the environmental problems connected with the production and use of solid fuels

Increasing the use of coal will have major environmental repercussions in the following three areas :

1. emissions from combustion
2. additional waste on spoil heaps
3. an increase in the volume of ash

1. SO₂ emissions

Obviously swift action will have to be taken to reduce emissions, and lay down limits. The phenomenon of acid rain is becoming more widespread and in June 1982 the conference in Stockholm on the subject proposed taking action. The Community's third action programme proposes establishing emission standards, and this has already been discussed by the Council of Environment Ministers. At international level, the work being done by the Convention on long-range transboundary air pollution seems to be working towards the same end.

The measures which the Commission has taken, or intends to take, under the environment programme are designed to:

- protect public health and environment by fixing limits for the concentration of certain specific substances in the atmosphere;
- reduce or limit emissions of these substances by fixing emission standards for the main sources.

None of these Community measures is directed exclusively towards coal or other solid fuels, but they do tackle the problem in general. Air pollution

caused by the burning of solid fuels is covered by the following measures, some already taken and others still in the pipeline:

- a) Directive 80/779/EEC on air quality limit values and guide values for sulphur dioxide and suspended particles limiting values for the concentration of SO₂;
 - b) a proposed Directive on air quality standards for NO₂ in the atmosphere;
 - c) a proposed Directive on the approximation of the laws of the Member States concerning the control of air pollution from industrial plants and consecutive legislative acts in the Community;
- d) the environmental research programme includes research contracts on the measurement of air pollution and the attenuation of air pollution and its effects. It also coordinates research on the conversion of atmospheric pollutants. The Joint Research Centre programme includes research on the impact of conventional power stations on the environment.

The measures referred to in (c) would not seem to raise insuperable problems for new plants. The increase in investment cost between 15 and 20% for complete desulphurisation of the gases can be borne by the industry without reducing its competitiveness vis-à-vis oil. It would be beneficial to take swift action to lay down emission limits because this would reduce uncertainty and encourage technical innovation (by setting a standard to be achieved.)

Existing plants are in a different position. The requisite equipment could prove extremely expensive and the best that can be hoped for is a programme for adaptation to installations with a sufficiently long life expectancy. Investment and costs would then have to be spread over a number of years.

2. Emissions of CO₂

A more general problem connected with the combustion of all types of fossil fuels is the increase in the concentration of CO₂ in the atmosphere. Much scientific research is being carried out, some of it in the Community, to evaluate the possible global and regional impact of higher concentrations of CO₂ on climate and agricultural yield. This is a problem which, in the long term, could become of critical importance for energy policy as a whole.

3. Mine waste on spoil heaps

In mining areas the most serious environmental problem will be disposal of colliery spoil. As principle the cost of the measures required to prevent pollution should be borne by producers. The equipment and infrastructure required to treat colliery spoil should therefore be considered as part of the costs of developing the coal industry.

New coal areas should require no direct financial support from the Community (unless it is justified for other reasons, e.g. regional policy). However, it is important to develop new methods of handling or reducing quantities of waste. It would therefore seem appropriate to allocate limited Community support, chiefly for research and development and for studies into the development of suitable storage methods.

If mining zones have been abandoned for a long time (or if there is no longer a polluter), the "polluter pays" principle can no longer be regarded as preventing the Community from granting aid to improve sites.

Where mining areas are also in receipt of regional state aid, the Community will already be granting aid under the quota section of the ERDF to improve the site and to reclaim the land for other purposes.

4. Ash

There are ways of using ash (particularly fly ash) but these alone are not sufficient to absorb all quantities which arise. It is essential to encourage the development of new uses, and of stable and expanding markets for known uses and to overcome user reluctance and transport cost problems. The Commission could organize a seminar or conference, at its own expense, to allow the Member States to share their various experiences and thus help to improve the situation.

5. Pollution by coking plants

As regards combating pollution by coking plants, the Commission is supporting research projects under the R&D programme on safety and health at work. The technical research programme on coal is currently also considering problems of protecting the environment in connection with combustion plant and surface installations at mines.

6. Conclusions

- (a) The Commission will prepare proposals fixing emission limits for pollutants in the atmosphere and taking account of the specific circumstances of existing plants. The proposals will be transmitted to the Council during the second half of 1983.
- (b) As regards waste from the mining of solid fuels, there should be increasing use of the ERDF to improve sites and reclaim land.
- (c) Community aid programmes, particularly for R&D, should be continued and in some cases extended in order to develop new pollution control methods.
- (d) Current studies, particularly on the increasing concentration of CO₂ in the atmosphere, should be continued.
- (e) Member States should pool information on the use of fly ash.

VII. Research, development and demonstration

On several occasions the Commission has underlined the great importance of Community action in the field of R,D & D in helping to meet the Community's energy policy objectives and especially to reduce its dependence on oil.

Against that general background the Community has already adopted in the solid fuels sector Community programmes of coal R&D under the ECSC Treaty and of demonstration in liquefaction and gasification. The necessary mechanisms have also been set in force to ensure better consistency and cooperation.

Given the Community interest in increasing the rôle of solid fuels in energy strategy, the Commission believes that existing R,D & D activities ought to be strengthened and broadened with a new focus on new technologies of solid fuel use.

1. Demonstration projects

Two proposals for regulations concerning demonstration projects in (a) alternative energy sources, energy saving and conversion from oil and gas and (b) the liquefaction and gasification of solid fuels are currently before the Council's subordinate bodies.

Favourable opinions on these draft Regulations have been expressed by the European Parliament(1) and the Economic and Social Committee(2).

(1) OJ C304, 22 November 1982

(2) OJ C326, 13 December 1982

The purpose of the first Regulation¹ is to develop new techniques for handling, transporting, burning and processing solid fuels and the waste substances deriving from them.

The Regulation on the liquefaction and gasification of solid fuels² also covers pilot industrial projects (smaller and less expensive than demonstration projects) so that technology which could be quickly put to commercial use when needed can be acquired. The impetus for development of gasification and liquefaction technologies was provided by the two oil shocks which set in train a search for new and diversified ways of substituting for expensive oil in short supply. Against the background of recession and the excess of oil products, the actions undertaken at world level have now slowed down. Some undertakings have even stopped their projects.

The importance of these technologies in the Community's energy strategy thus raises the question as to whether simply proceeding with existing Community action is sufficient, or whether such action should be increased.

¹Proposal for a Council Regulation (EEC) on the granting of financial support for demonstration projects relating to the exploitation of alternative energy sources, energy-saving and the substitution of hydrocarbons (O.J. C227, 1 September 1982). For solid fuels, the appropriations available in the 1983 budget for this type of action amount to 5 MioECU.

²Proposal for a Council Regulation (EEC) on the granting of financial support for pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels (O.J. C261, 6 October 1982). The appropriations available in the 1983 budget for this type of action amount to 5 MioECU.

2. Technological research

The Commission, pursuant to Article 55 of the ECSC Treaty, is encouraging research projects which are concerned with the improvement of mining technology and coke oven techniques. It has accordingly set aside relatively large sums from the ECSC budget, and its contribution currently represents about 10% of the coal producing Member States' outlay in this field.

It has now become necessary to take further steps to promote the increased consumption of solid fuels. For reasons already set out above (general interest for the economy and for the development of the Community's energy strategy limited ECSC budget), the Commission will include in its third energy R&D programme - now in preparation - a chapter containing a sub-programme for solid fuels covering : heat and electricity generation; transport; handling and certain fundamental research. Problems of environmental protection in the sectors mentioned will also be included. The third R&D programme will be forwarded to the Council shortly.

The sub-programme in question has already been included in the framework programme transmitted by the Commission to the Council on 21 December 1982 (Doc. COM(82) 865 final).

3. Conclusions

- (a) Adoption by the Council of the two draft Regulations concerning demonstration projects.
- (b) Preparation by the Commission of a sub-programme for technologies using solid fuels, under the third Community energy R&D programme which will be transmitted to the Council before the end of the first half of 1983.

Summary table

Subject	Proposals before the Council which the Commission wishes to see adopted	Proposals and analysis in preparation which the Commission will send to the Council	Discussions which the Commission wishes the Council to hold
I. <u>Increased use of solid fuels</u>	<p><u>Adoption by the Council of :</u></p> <p>a) the two recommendations concerning measures to encourage investment in the conversion to solid fuels of installations in industry, public buildings and in district heating systems ;</p> <p>b) the Proposal for an EEC regulation on the payment of financial incentives in support of categories of investment in the rational use of energy.</p>		
II. <u>Intra-Community coal trade</u>		<p>a) <u>At the end of March 1983</u> the Commission will present a draft Council Regulation for coking coal based on Article 235 of the <u>EEC Treaty</u> and dealing with the financial aspect of the coking coal system. The Commission will consult the Council on other aspects in accordance with the rules of the ECSC Treaty.</p>	<p>b) The Commission will obtain from the Member States the information necessary to complete its evaluation of the problems of intra-Community trade and transport of steam coal. In the meantime, it will gladly welcome suggestions that may be made by the other Community institutions.</p>

Summary table (continuation)

Subject	Proposals before the Council which the Commission wishes to see adopted	Proposals and analysis in preparation which the Commission will send to the Council	Discussions which the Commission wishes the Council to hold
<p>III. <u>Modernization and restructuring of the production</u></p>			<p>a) Council opinion on the advisability of giving further encouragement to investments for the modernization of mines and preliminary debate on the financing procedures.</p> <p>b) Use of other existing Community financial instruments to encourage production and investment in the lignite and peat industries.</p> <p>c) Review, if necessary, of the finance required to support the restructuring of the coal industry.</p>
<p>IV. <u>Stocks</u></p>		<p>b) The Commission will analyse all the problems connected with storage.</p>	<p>a) Discussion in the Council on the desirability of a Community intervention to help meet the costs of cyclical coal stocks.</p>

Summary table (continuation)

Subject	Proposals before the Council which the Commission wishes to see adopted	Proposals and analysis in preparation which the Commission will send to the Council	Discussions which the Commission wishes the Council to hold
V. <u>Coal imports from third countries</u>	Decision of the representatives of the governments of the Member States of the ECSC, meeting in the Council, concerning improvement of the Community surveillance of coal imports from non-member countries (1).		
VI. <u>Environment</u> (2)		<p>a) Proposals fixing emission limits for pollutants in the atmosphere and taking account of the specific circumstances of existing plants. The proposal were be transmitted to the Council during the <u>second half of 1983</u>.</p> <p>b) As regards waste from the mining of solid fuels, there should be increasing use of the ERDF to improve sites and reclaim land.</p> <p>c) Community programme, particularly for R & D, should be continued and in some cases extended in order to develop new pollution control methods.</p> <p>d) Current studies, particularly on the concentration of CO₂ in the atmosphere should be continued.</p>	

(1) This concerns, moreover, the pursuit of a regular dialogue with the main coal-exporting countries, within the framework of existing procedures.

(2) In addition to the activities indicated in the table, the Commission proposes to organize a seminar or a conference on ash which will facilitate an exchange of experience among the Member States and will hence improve the possibilities for ash utilization.

Summary table (continuation)

Subject	Proposals before the Council which the Commission wishes to see adopted	Proposals and analysis in preparation which the Commission will send to the Council	Discussions which the Commission wishes the Council to hold
VII. <u>Research, development and demonstration</u>	a) Adoption by the Council of the two draft Regulations concerning demonstration projects.	b) Preparation by the Commission of a sub-programme for technologies using solid fuels, under the third Community energy R & D programme which will be transmitted to the Council <u>before the end of the first half of 1983.</u>	