

EURACOAL

European Association
for Coal and Lignite



On DG Climate Action's proposal to back-load EU ETS auctioning

18th European Round Table on Coal
"EU Emissions Trading Scheme: fit for purpose"

18 September 2012, European Parliament, Brussels

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– Managing Director, Coallmp

Outline

- Introduction
- Is the EU ETS fit for purpose?
- A reminder on what emissions reduction targets have already been agreed by the EU.
- A review of carbon prices and energy prices – they are both relevant.
- Conclusions and EURACOAL position.

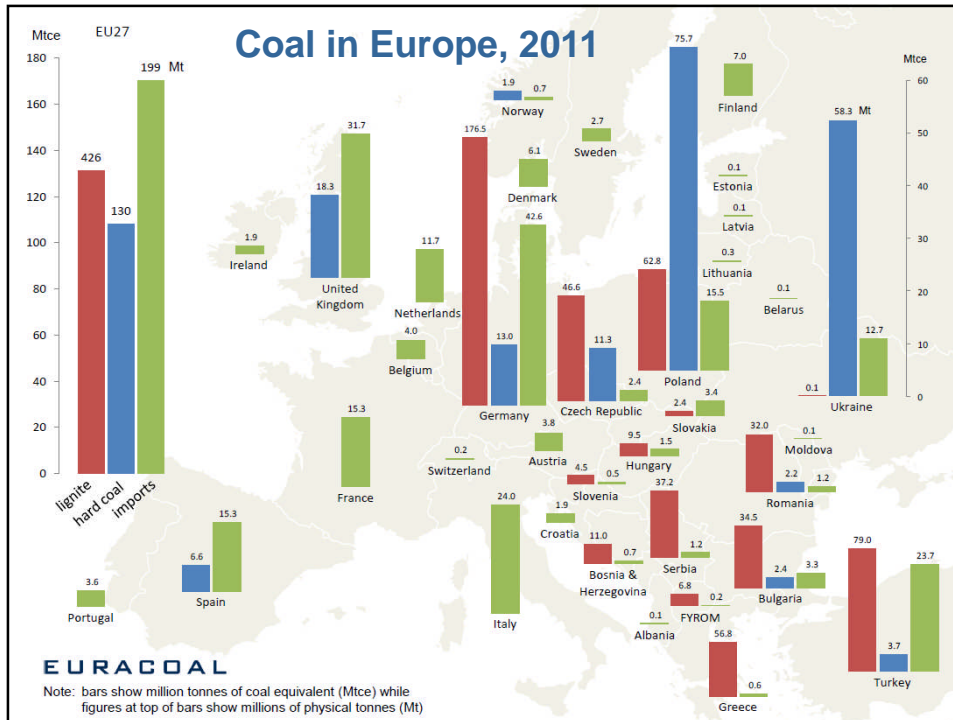
EURACOAL: 35 members from 20 countries

- COALPRO - Confederation of UK Coal Producers (GBR)
- DEBRIV - Deutscher Braunkohlen-Industrie-Verein (DEU)
- GVSt - Gesamtverband Steinkohle (DEU)
- MMI - Mini Maritza Istok (BGR)
- PPC - Public Power Corporation (GRC)
- PPWB - Confederation of the Polish Lignite Producers (POL)
- ZPWGK - Polish Hard Coal Employer's Association (POL)
- ENEL (ITA)
- ZSDNP - Czech Confederation of Coal and Oil Producers (CZE)
- APFCR - Coal Producers and Suppliers Association of Romania (ROU)
- BRGM - French Geological Service (FRA)
- CARBUNIÓN - Federation of Spanish Coal Producers (ESP)
- Coallmp - Association of UK Coal Importers (GBR)
- D.TEK (UKR)
- EPS - Electric Power Industry of Serbia (SRB)
- GIG - Central Mining Research Institute (POL)
- HBP - Hornonitrianske bane Prievidza (SVK)
- ISFTA - Institute for Solid Fuels Technology & Applications (GRC)
- Mátrai Kraftwerke (HUN)
- PATROMIN - Federation of the Romanian Mining Industry (ROU)
- Premogovnik Velenje (SVN)
- RMU Banovici D.D. (BIH)
- Swedish Coal Institute (SWE)
- TKI - Turkish Coal Enterprises (TUR)
- Ukrvuglerobotodavtsy - All-Ukrainian Coal Employer's Association (UKR)
- Vagledobiv Bobov dol EOOD (BGR)
- VDKI - Verein der Kohlenimporteure (DEU)
- Coaltrans Conferences Limited (GBR)
- EMAG (POL)
- Finnish Coal Info (FIN)
- Golder Associates (GBR)
- Geocontrol (ESP)
- ISSeP - Institut Scientifique de Service Public (BEL)
- KOMAG (POL)
- University of Nottingham (GBR)

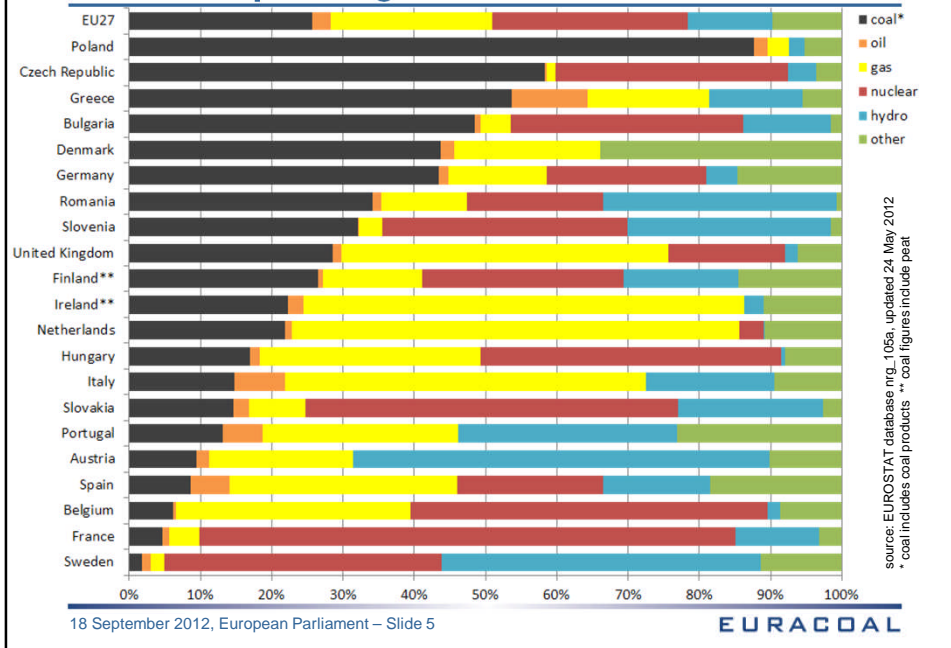


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Coal-fired power generation in the EU, 2010



EU ETS allowance prices Jan 2005 to Sep 2012

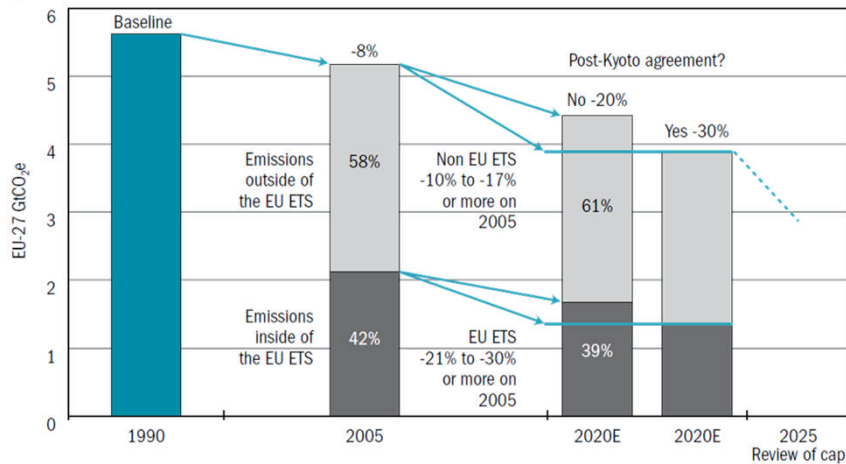


- EU ETS allowance prices reflect the dynamics of a true market.
- With no “banking” of surplus allowances, prices collapsed in Phase 1.
- Phase 2 prices have reflected the depressed state of the EU economy.
- Achieving reduction targets with a low CO₂ prices is a good outcome.
- If a target CO₂ price is wanted, then the ETS is the wrong mechanism.

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EU GHG emissions, 1990 to 2020



- The EU is on target to meet its agreed 2020 emissions reduction target.
- There is no post-Kyoto agreement, so no 30% target.
- Debate now should be about post 2020 – as foreseen in ETS Directive.

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Brent crude oil prices Jan 2003 to Sep 2012



- High energy prices are a drag on economic activity and prosperity. Energy import costs contributed to the economic crisis that we still face.
- Between 2005 and 2012, Brent crude oil has more than doubled in price from c.\$50/bbl to c.\$115/bbl.
- This increase of \$65/bbl is equivalent to a carbon price of €115/tCO₂ !

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EU ETS – fit for purpose?

- Yes – it is a market-based mechanism that will deliver the politically agreed target of a 20% GHG emissions reduction by 2020 *c.f.* 1990.
- A particular CO₂ price was never an objective.
- The legal basis for any change is clear: a new international agreement with similar ambition to the EU's. Without that, there is no scope for unilateral action.
- High oil prices since 2005 – equivalent to an ETS allowance price of over €100/tCO₂ – have damaged the economy.
- Now is not the time to impose further economic pain on Europeans with even higher carbon prices.
- “Set aside”, “back loading” or any other similar measures should be rejected as incompatible with decisions already taken by Member States.
- Why does this matter?

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Coal mining creates economic wealth in the EU

- 140 Mt hard coal
- 400 Mt brown coal
- Most important indigenous energy
- €27 billion annual value of energy
- 255 000 direct jobs
- ~2.5 indirect jobs for each direct one
- > 1 million jobs across Europe



In February 2012, Lubelski Węgiel „BOGDANKA” S.A. set a world production record from a face at the company's mine near Lublin in east Poland. The company plans to double production to 11.5 million tonnes in 2014 when Bogdanka mine will become one of the world's most productive deep mines.

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Thank you!



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