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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Commission Report on the Application of Council Regulation (EC) No 1407/2002 on  
State Aid to the Coal Industry**

{SEC(2007) 602}

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**1. INTRODUCTION**

**1.1. Historical development of State aid to the Coal industry**

Coal, in its various forms from lignite to hard coal, is today an important source of energy in the EU. It accounts for 17% of overall energy consumption, and for about 30% of electricity production. The EU imports approximately one third of its coal consumption.

From the 1950s onwards, parts of the indigenous coal production could no longer compete on the market, mainly due to a reduction in transport costs for coal from third countries, the depletion of coal fields with attractive geological conditions and increased labour costs. The European Community for Coal and Steel ("the ECSC") and then the European Community ("the EC") allowed Member States to grant subsidies to their coal industry, with a view to allowing for an orderly restructuring and closure process.

The most recent legal basis for this has been Council Regulation (EC) No 1407/2002 on State aid to the coal industry ("the Coal Regulation").<sup>1</sup> It was adopted on the basis of Article 87 (3) (e) of the EC treaty, and establishes an exception to the general prohibition of State aid. It allows for closure aid (Article 4), operating aid (Article 5 § 3), investment aid (Article 5 § 2) and aid for inherited liabilities (Article 7), subject, regarding Articles 4 and 5, to the condition that the aid follows a downward trend (Article 6) and that Member States include the mines in a plan for access to coal reserves, which needs the approval of the Commission (Article 9). Based on this Regulation, the Commission has authorized State aid in various Member States.

**1.2 Scope of the report**

The scope of this report is set out in Article 11 of the Coal Regulation.

Article 13 sets out the rules for reviewing the Coal Regulation in the light of the conclusions of the Commission in its report.

Article 14 § 3 contains a "sunset clause", according to which *"This Regulation shall apply until 31 December 2010"*.

The political context within which this report is carried out is set by the Commission Communication "An Energy Policy for Europe",<sup>2</sup> the Green Paper "A European Strategy for

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<sup>1</sup> OJ L 205, 2.8.2002, p. 1–8; amended by Annex II, point 12 of the Treaties of Accession for the 2004 and 2007 EU enlargements.

<sup>2</sup> COM(2007) 001 final.

Sustainable, Competitive and Secure Energy",<sup>3</sup> the Renewed Sustainable Development Strategy,<sup>4</sup> the Gothenburg Strategy<sup>5</sup> and the Commission's Communication "A sustainable Europe for a better world: a European Strategy for sustainable development".<sup>6</sup>

## **2. RESULTS OF THE APPLICATION OF THE COAL REGULATION BETWEEN 2002 AND 2006**

The Coal Regulation entered into force on 24 July 2002. Article 14 foresees, however, the possibility for Member States to grant aid for the period between 24 July 2002 and 31 December 2002 under the rules of Decision No 3632/93/ECSC of 28 December 1993 establishing Community rules for State aid to the coal industry (the Coal Decision). All Member States that granted aid in this period made use of this possibility.<sup>7</sup> Hence, the *de facto* application of the Coal Regulation commenced only on 1 January 2003.

With regard to the Member States which joined the EU on 1 May 2004 and 1 January 2007, the Commission started to apply the Coal Regulation as of 1 May 2004 and 1 January 2007 respectively. Prior to that date, their national competition authorities applied the text of the Coal Regulation, as foreseen by the so-called Europe Agreements. To the extent that data is available to the Commission for the pre-accession period, it has been included in this report.

Following the end of coal production in France in 2004, 11 Member States produce coal covered by the Coal Regulation.<sup>8</sup> Among the candidate countries, Turkey and the Former Yugoslav Republic of Macedonia also produce coal covered by the Coal Regulation.

### **2.1. Overview on the use of State aid for the coal industry and the results of the restructuring process**

#### **2.1.1 Operating and investment aid (Article 5 § 2 and Article 5 § 3 of the Coal Regulation)**

3 groups of Member States can be distinguished: those having stopped coal subsidies for mines in operation (the Czech Republic, France, Italy), those granting investment aid (Poland, Slovakia, the United Kingdom), and those granting operating aid (Bulgaria, Germany, Hungary, Romania, Slovenia, Spain).

#### **Complete stop of coal subsidies**

*France* closed its last coal mine in 2004. In 2006, France authorized a private undertaking, which will not receive any subsidies, to start mining operations in a new open-cast coal mine in the area of *L'arc* (Gardanne). The *Czech Republic* has privatized its formerly state-owned

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<sup>3</sup> COM(2006) 105 final.

<sup>4</sup> Document 10117/06, adopted by the Council on 9 June 2006.

<sup>5</sup> Adopted by the Council in Gothenborg on 15 and 16 June 2001.

<sup>6</sup> COM(2001) 264 final.

<sup>7</sup> This concerns Spain (see decisions N 3/2002; C 17/2003), France (see decisions N 551/2002), Germany (see decision N 550/2002) and the United Kingdom (see decision N 740/2002).

<sup>8</sup> The Coal Regulation covers high grade, medium grade and low grade A and B coal within the meaning of the international codification system for coal laid down by the United Nations Economic Commission for Europe; see Article 2 (a) of the Coal Regulation. Low grade C coal is excluded from its scope. The countries producing coal covered by the Coal Regulation are Bulgaria, the Czech Republic, Germany, Hungary, Italy, Poland, Romania, Slovenia, Slovakia, Spain, and the United Kingdom.

coal mines, and decided to stop granting subsidies. This has led to an important reduction in both mining output and employment. Today, the privatized mining undertaking *OKD* is successfully competing on the world market. *Italy* has one coal mine in operation in Sardinia, for which no State aid has been notified to the Commission.<sup>9</sup>

In these 3 countries, the restructuring process is completed.

### **Investment aid (Article 5 § 2 of the Coal Regulation)**

The *UK*, *Poland* and *Slovakia* have limited their subsidies to investment aid under Art. 5 (2) Coal Regulation. The UK and Slovakia have completely privatised their formerly state-owned mines. In Poland, the process of privatisation is on-going. Table 1 (see SEC (2007) 602) shows the total amount of investment aid authorized by the Commission.

The restructuring process of the coal mining industry in these countries is completed, to the extent that all mines which were far from break-even have disappeared from the market. However, these Member States have decided that as part of their overall energy strategy, they want to keep in the market coal mines which have some prospects of being viable without operating aid.

### **Operating aid (Article 5 § 3 of the Coal Regulation)**

*Bulgaria*, *Germany*, *Hungary*, *Romania* and *Spain* have decided to maintain schemes of operating aid. The national mining industries of these countries are unlikely to survive without such operating aid. The success of the restructuring process seems to be limited, as the production costs have been only slightly reduced, or have increased.<sup>10</sup> In these countries, it seems that the limits of possible efficiency gains in coal mining have been reached. Production costs remain extremely high, compared to the world market price for coal (Table 2 based on 2006 figures<sup>11</sup> - see SEC (2007) 602).

The average price for imported coal was €60 per tonne of coal equivalent in the second half of 2005,<sup>12</sup> which is less than half of the average production cost in Spain, Germany and Hungary. Hence, these mines are structurally not competitive on the world market. Table 3 (see SEC (2007) 602) shows the total amount of operating aid authorized by the Commission. In Spain, the electricity produced from this coal accounts for 4% of the total electricity production, in Germany for 10%, and in Hungary for 0.1%.

Hungary is currently planning to end operating aid in 2014. Germany intends to do so in 2018.

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<sup>9</sup> The Commission is, however, currently investigating a complaint, alleging that Italy is granting State aid to the mine in question.

<sup>10</sup> See decision N 552/2005, *State aid to the German coal industry for the year 2006*.

<sup>11</sup> Bulgaria and Romania have to notify their plans for access to coal reserves to the Commission by 30 April 2007 at the latest. The Commission received the notification of the plan from Romania within the prescribed deadline and conducts its examination.

<sup>12</sup> See Commission report under Council regulation (EC) N° 405/2003 of 27 February 2003, concerning Community monitoring of imports of hard coal originating in third countries, available under [http://ec.europa.eu/energy/coal/market\\_pricing/doc/price\\_post\\_2002/hard\\_coal\\_electricity\\_semester\\_2005\\_2\\_eur25.pdf](http://ec.europa.eu/energy/coal/market_pricing/doc/price_post_2002/hard_coal_electricity_semester_2005_2_eur25.pdf).

### **2.1.2 Closure aid (Article 4 of the Coal Regulation) and aid for inherited liabilities (Article 7 of the Coal Regulation)**

The Coal Regulation foresees two different instruments for facilitating the closure of mines that are not competitive on the world market: closure aid, which is aid covering operating losses of mines until the date of closure, and aid for inherited liabilities, which covers certain categories of social and environmental liabilities resulting from coal mining.<sup>13</sup>

#### **Closure aid (Article 4 of the Coal Regulation)**

Closures of unprofitable mines have taken place in all Member States that produce coal, with the exception of Italy. *Germany*, *Spain* and *France* have granted closure aid under Article 4 of the Coal Regulation in order to cushion the social consequences of the mine closure. The amount of aid granted can be seen from table 4 (see SEC (2007) 602). In the period 2003 to 2006, France closed 2 mines, Germany closed 2 mines, Spain closed 8 production units, and has committed to close down a further 9 mines by the end of 2007.<sup>14</sup>

In other Member States, mine closures have also taken place in this period. Hungary closed 2 mines, Slovakia 1 mine, and Poland 3 mines. These closures have taken place without the disbursement of closure aid.

#### **Aid for inherited liabilities (Article 7 of the Coal Regulation)**

In the *Czech Republic* and *France*, the state continues to pay subsidies for inherited social and environmental liabilities. However, the mining undertakings still in operation do not seem to benefit from these payments.<sup>15</sup>

The other Member States, with the exception of Hungary and Italy, have taken over to a certain extent inherited social and environmental costs not only for closed mines, but also for mines which are still in operation.<sup>16</sup> Table 5 (see SEC (2007) 602) shows the total amounts of aid authorized for inherited liabilities.

### **2.1.3 Development of mining output and employment**

In the EU25, overall mining output and overall mining employment declined in the period 2003 to 2006. Tables 6 (mining output for the years 1998 to 2004, see SEC (2007) 602) and 7 (mining employment in 2004, see SEC (2007) 602) illustrate the development country by country.

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<sup>13</sup> Annex to the Coal Regulation.

<sup>14</sup> The Commission is currently verifying whether this commitment has been respected.

<sup>15</sup> There is no coherent practice for the treatment of these payments under State aid rules. With respect to the Czech Republic, the Commission has authorized State aid for environmental liabilities (case CZ 45 and 110/2004). It decided to open an *ex officio* investigation with respect to State aid for social inherited liabilities. This case is currently on-going.

<sup>16</sup> These have been approved in Commission decisions N 574/2004 (Poland), N 27 and 53/2005, N 419/2005, N 168/2005, NN 9/2006 and N 387/2006 (Slovakia), N 421/2003 and N 321/2004 (France), N 746 and N 474/2002, N 493/2003, N 320/2004, N 497/2004, N 552/2005 (Germany), N 20/2003 (United Kingdom) C 14/2004 (Spain), and, prior to accession, by the Slovenian national competition authority.

## **2.2 Role of indigenous energy sources in the overall EU energy mix and impact of Coal subsidies on the internal market for energy**

### **2.2.1 Role of indigenous energy sources in the EU energy mix**

Primary energy consumption reveals a general pattern of diversity in the fuels used. The most significant primary fuel for most Member States is oil and the next most significant is natural gas. This can be seen in Chart 1 (see SEC (2007) 602).

The use of indigenous fossil fuels in Member States varies widely, depending on geological conditions and the degree of exploitation of resources. Apart from coal, there is production of gas (Denmark, France, Germany, Hungary, the Netherlands, the United Kingdom), oil (Czech Republic, Germany, Hungary, UK), oil shale (Estonia), and peat (in several Member States, used in particular in Ireland and Finland).

As far as electricity production is concerned, most Member States use a diverse range of fuels in the process of electricity generation. While the particular mix of fuels differs between countries, there is significant reliance on coal, gas, nuclear and hydro (see Chart 2, SEC (2007) 602). Coal plays a prominent role in the fuel mix, accounting for 30% of electricity production. One third of this electricity<sup>17</sup> is generated from low grade C coal (*ortho-lignite*), which is not eligible for State aid under the Coal Regulation. Another third is produced from indigenous coal, which is eligible for State aid under the Coal Regulation. The remaining third is produced from imported coal. Approximately 45% of the indigenous coal eligible for State aid under the Coal Regulation receives either operating aid or investment aid. In other words, subsidised indigenous coal serves as fuel for 4.5% of the electricity production in the EU.

The use of indigenous renewable energy sources has increased lasting recent years in the EU25, as can be seen from chart 3 (see SEC (2007) 602). Renewable energy sources account today for approximately 6% of total energy consumption and for about 16% of total electricity consumption. A further increase is expected, as Member States have accepted targets for electricity production from renewable energy sources in Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources in the internal market.<sup>18</sup> The Commission adopted in 10 January 2007 a "Renewable Energy Roadmap",<sup>19</sup> in which it proposes the establishment of a mandatory target of 20% for the share of renewable energy in the energy consumption in the EU by 2020. This target was endorsed by the European Council at its meeting on 8-9 March 2007.

### **2.2.2 Impact of coal subsidies on the internal market**

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

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<sup>17</sup> This corresponds to 10% of overall electricity production.

<sup>18</sup> OJ L 283, 27 October 2001, p. 33.

<sup>19</sup> COM (2006) 848 final.

## Impact on the market for coal

Coal comes in very different qualities. The prices paid and the possible uses vary, depending on the quality. Accordingly, it is likely that from a competition point of view, it is necessary to distinguish more than one product market for coal.<sup>20</sup> The geographical dimension of these product markets is also likely to vary, as high and medium grade coal can be easily transported, and there is a world-wide market for it, whereas for low-grade coal, the Commission found that transport costs limit the geographical product market.<sup>21</sup>

State aid for the coal industry has an impact on the markets for coal, as State aid keeps alive undertakings and mines which otherwise would go out of business. However, the distortion of the market within the EU seems to be limited by the fact that most subsidized coal covered by the Coal Regulation is consumed in the national market. Besides Poland and, to a lesser extent, the Czech Republic, no country exports its coal. This suggests that there is little direct competition between coal produced in different Member States.<sup>22</sup> The consultations carried out by the Commission in the preparation of this report confirm this analysis.

With respect to low-grade coal, the impact of State aid seems to be limited by the fact that transport costs for low-grade coal are high, and that there is only a limited degree of competition between mines, as most of the production is used in near-by power stations.<sup>23</sup>

## Impact on the market for electricity

In order to avoid spill-over effects from State aid for the Coal industry in the market for electricity, the Coal Regulation foresees a safeguard clause in its Article 4 (e).

The reply of three environmental NGOs<sup>24</sup> to the Commission's consultation implies, however, that coal subsidies have distorted the market for electricity production in favour of coal. It claims that *“the energy sector is still far from providing a level playing field for all sources of supply. Dirty energy options, such as coal and nuclear, have benefited from many decades of state support, often in heavily protected and monopolistic markets”*.

A study carried out by *Europe Economics* for the Commission has analysed this question in detail, and concludes that State aid to the coal industry influences only the sourcing of coal, i.e. the decision on whether to buy domestically produced coal or imported coal. The study has found no indication that State aid to the coal industry would affect the overall fuel mix, i.e. the share of coal in electricity production. The reply of EURELECTRIC to the stakeholder consultations supports this position.

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<sup>20</sup> In IV M.402 PowerGen/NRG Energy/Morrison Knudsen/Mibrag, the Commission concluded that there was a separate product market for brown coal, see [http://ec.europa.eu/comm/competition/mergers/cases/decisions/m402\\_en.pdf](http://ec.europa.eu/comm/competition/mergers/cases/decisions/m402_en.pdf)

<sup>21</sup> In IV M.402 the Commission considered that the geographic market for brown coal was regional (in the case at hand: Eastern Germany). In State aid decision N 597/2004 *Lignit Hodonín s.r.o.*, the Commission found that there is trade in ortho-lignite across borders, although only between neighbouring countries and for small distances. Accordingly, the geographical market could be, in specific cases, a region that overlaps the territories of two or more Member States.

<sup>22</sup> The only indication for such competition concerns Germany, which has replaced parts of its indigenous production by Polish and Czech imports.

<sup>23</sup> See IV M.402 and N 597/2004 *Lignit Hodonín s.r.o.*

<sup>24</sup> European Environmental Bureau, Climate Action Network and Greenpeace.

The Commission considers that the combined application of Article 4 (c) and Article 4 (e) of the Regulation should allow excluding that coal subsidies have an impact on the market for electricity.<sup>25</sup>

The Commission notes, however, that State aid to the coal industry might have an impact on the internal market for electricity with respect, in particular, to investment decisions for new coal-fired power plants. In case the investor can be assured that State aid will enable indigenous mines to produce coal for the foreseeable future, he will build a new power plant next to the mine, in order to minimise transport costs. If, on the other hand, aid for indigenous uncompetitive production is uncertain, the construction of the power plant could take place close to an inland waterway, in order to minimize transportation costs for imported coal.

### **Impact on the market for coke production and steel**

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

## **2.3 Problems the Commission has encountered in applying the Coal Regulation**

The Commission has encountered 5 main problems in applying the present State aid rules to the coal industry: the control of the criterion “no price distortions” (Article 4 (c) of the Coal Regulation), the distinction between coal covered by the regulation and coal not covered by the regulation, the reduction of production costs, the control of the categories of aid for inherited liabilities set out in the annex of the Coal Regulation, and the control of mine closures.

### **2.3.1 Control of the respect of Article 4 (c) of the Coal Regulation**

Article 4 (c) of the Coal Regulation foresees that “*the amount of aid per tonne coal equivalent may not cause delivered prices for Community coal to be lower than those for coal of a similar quality from third countries*”. The respect of this Article is difficult to verify in particular in two situations:

**Integrated mining and power companies.** In several Member States,<sup>26</sup> coal mines and power plants form part of one integrated undertaking. In this case, the price for coal is arranged as part of an intra-company transaction, which is by its very nature difficult to monitor from the outside. The Commission has addressed this problem, to the extent possible, through in-depth analysis of the individual cases concerned.

**No world market price.** There is no world market price for low-grade coal, as because there is virtually no trade of such coal: as explained earlier, due to high transportation costs and low calorific value, low-grade coal needs to be consumed in geographic proximity to the place of production. In these cases, the Commission has verified whether the methods of calculation for the price appeared reasonable, and did not lead to a distortion of competition on the market for electricity production.<sup>27</sup>

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<sup>25</sup> See in this respect also point 2.3.1 below.

<sup>26</sup> For example: Germany, Poland, Spain and Hungary.

<sup>27</sup> See decision N 92/2005 *State aid to the Hungarian coal industry*, and decision N 320/2004 *State aid to the German coal industry*.



### 2.3.2 Distinction between coal covered and coal not covered by the Regulation

According to Article 2 (a) of the Coal Regulation, only high-grade, medium-grade and low-grade category A and B coal, within the meaning of the international codification system for coal laid down by the United Nations Economic Commission for Europe, is covered by the Regulation, whereas low-grade category C coal and other solid indigenous fossil fuels, such as oil shale, tar sand and peat, are not. All the latter are thus subject to the general State aid rules.

For the Member States of the ECSC, the Commission established the coal quality in its Communication concerning the interpretation of the expressions “coal” and “lignite” mentioned in annex I of the ECSC treaty of 11 October 1986<sup>28</sup>. For the Coal Regulation, it was assumed that this distinction between coal and lignite corresponded to the new dividing line between low-grade B coal and low-grade C coal. For EC Member States which were not Member States of the ECSC, the Commission, in its decision practice, has accepted geological analyses carried out by accredited laboratories of the Member States, and has established that the mines *Màrkushegy* in Hungary and *Bana Dolina* and *Hornonitrianske bane Prievidza* in Slovakia produce low-grade B coal, whereas the mine “*Lignit Hodonín*” in the Czech Republic produces low grade C coal.<sup>29</sup>

### 2.3.3 Reduction of production costs

The Coal Decision foresaw that any mine receiving operating aid had to show a “*trend towards a reduction in production costs*”. This condition has not been taken over in the Coal Regulation. The Commission was confronted in its decision N 552/2005, *State aid for the German coal industry for the year 2006*, with the question of whether, under the Regulation, it had to authorize operating aid regardless of the development of production costs, i.e. also in a situation where production costs increase. It concluded that, in principle, undertakings applying for State aid under Article 5 (3) of the Coal Regulation need to follow a path of reduction of their production costs.

### 2.3.4 Application of the categories in the Annex

The Annex of the Regulation sets out the categories for authorizing State aid for covering inherited liabilities. The costs for which aid is allowed by the Annex to the Coal Regulation sometimes have no or only an indirect link with restructuring of the coal industry. In addition, some of the categories are extremely vague.<sup>30</sup> The effect of this can therefore be to allow aid for costs of the companies concerned without inducing them towards further restructuring. In this respect, it should also be noted that, contrary to aid under Article 4 and 5, aid under Article 7 is not subject to a financial maximum and is not required to be digressive.

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<sup>28</sup> OJ C 254, 11 October 1986, p. 2.

<sup>29</sup> See decision N 92/2005 *State aid to the Hungarian coal industry*, for Hungary; see decision N 27 and N 53/2005 *State aid to the Slovak coal industry*, and decision NN 9/2006, *State aid for the Bana Dolina coal mine*, for Slovakia; see decision N N 597/2004 *Lignit Hodonín s.r.o.*, for the Czech Republic.

<sup>30</sup> Category 1 (f), for example, allows for the reimbursement, by the state, of any “*residual costs resulting from administrative, legal or tax provisions*”.

### 2.3.5 Control of mine closures

The Commission has been confronted with the problem that Spain has not followed up on its commitment to close mines which have received closure aid under Article 4 of the Coal Regulation. In its decision C 14/04, *Restructuring plan of the Spanish coal industry and State aid for the years 2003 – 2005*, the Commission gave a detailed explanation of these problems.<sup>31</sup> The Commission will continue carefully to monitor this situation.

## 3. NEED TO AMEND THE COAL REGULATION

According to Article 13(1) and recitals 9 and 23 of the Coal Regulation, the Commission shall evaluate whether the development of the coal market and/or the social and regional consequences of coal mining render amendments to the Coal Regulation as of 1 January 2008 necessary.

### 3.1 Developments on the coal market and overall energy security

In the period 2003 to 2006, prices for coal on the world market<sup>32</sup> fluctuated considerably. However, they were more stable than prices for oil and natural gas. The underlying reason for price changes was a strong increase in coal demand, coupled with limited output capacities of coal mines and limited transportation capacities. The increase in demand was mainly due to the high coal demand of China and India. In addition, high prices for natural gas made coal-fired power stations more competitive than before, which may also have increased demand.

The limits in output and transport capacity are due to the fact that investments in new mining and transport capacities need a run-up time of one or more years. Adaptation to changes in demand patterns thus occurs relatively slowly.

In addition, the European Union's security of energy supply was put high on the agenda following the Russian-Ukrainian gas dispute at the beginning of 2006 and the Russian-Belorussian oil dispute at the beginning of 2007. Overall, it is clear that there is a higher level of awareness of the importance of energy security in 2007 than there was in 2003. However, problems concern mainly oil and natural gas. With respect to coal, the world market seems to function efficiently, as was shown by the increase in coal production in reaction to the increased demand from India and China. The security of European coal imports is today not considerably different from 2003.

Developments on the world market for coal are important for the economic viability of European coal mines. Many mines in the Czech Republic, Poland, the United Kingdom and Italy are profitable at the relatively high coal prices observed since 2005, but could not survive in case of a drop in coal prices to the level observed in the beginning of the century.

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<sup>31</sup> See decision C 14/04, *Restructuring plan of the Spanish coal industry and State aid for the years 2003 – 2005*.

<sup>32</sup> A world market exists only for high and medium grade coal; low grade coal is always used close to the place of production.

### 3.2 Social and regional consequences of mining

None of the replies received from stakeholders or Member States indicate that there have been important changes with respect to the social and regional aspects of coal mining. Nevertheless, Germany, Spain, and several respondents to the stakeholder consultation propose to prolong State aid for the reduction of activity under Article 4 of the Regulation until 2010. They express fears that otherwise, the reduction of production capacity might be more difficult.

The Commission has already approved the plans for access to coal reserves and the plans for mine closures for all Member States, with the exception of Spain and Romania where the examination of the notifications is still ongoing, until 2010<sup>33</sup>. For these approvals, the fact that Article 4 aid is phased out as of 2008 did not create any particular difficulties. In addition to the mine closures reported above in point 2.1.2, Germany plans to close two more mines by 2010 and Slovakia plans to close another mine in 2007. The Spanish plans for mine closures are currently under examination by the Commission. Contrary to what the replies mentioned above suggest, the examination of these mine closures by the Commission has not revealed any need for a prolongation of Article 4, because all State aid necessary for carrying out the closures could be approved under Articles 5 and 7 of the Coal Regulation.

In addition, the practical impact of any such modification for the period 2008 to 2010 would be very limited. The Commission has already approved the plans for access to coal reserves for Germany, Hungary, Poland, the United Kingdom and Slovakia. The plan for Spain and for Romania is currently under assessment. These countries account for the major part of all State aid granted to the coal industry. In order to impose any changes to the State aid foreseen in these plans, the Commission would need to propose to these Member States appropriate measures according to Article 17 and following Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty<sup>34</sup>. This would require considerable administrative resources from both the Commission and the Member States concerned.

### 3.3 Conclusion

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

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<sup>33</sup> Bulgaria did not notify its plan for access to coal reserves and mine closures.

<sup>34</sup> OJ L 83, 27 March 1999, p. 1.