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## Five EU actions to take Europe Beyond Coal

### Joint background policy paper

2 November 2017

Climate Action Network Europe (CAN Europe), Health and Environment Alliance (HEAL), ClientEarth, the European Environmental Bureau (EEB) and WWF are part of Europe Beyond Coal, a collective campaign to make Europe coal free by 2030.

Europe Beyond Coal calls on European governments, cities, companies, banks and investors to cement their plans to move out of coal before the 2018 international climate meeting in Katowice, Poland.

Since 2016, Europe Beyond Coal groups have helped retire 16 coal plants across Europe, and 39 more are to close, with the governments of the Netherlands, the United Kingdom, Finland, France, Portugal and Italy all committing these countries to being coal-free by 2030 at the latest. The campaign is focusing its efforts on turning these government coal phase-out announcements into actions, and hastening the closure of Europe's 293 remaining plants.

Concrete plans are particularly pertinent for countries like Germany, whose coal use is making it the worst greenhouse gas polluter in Europe and preventing it from meeting its climate objectives. Germany's coal plants were responsible for an estimated 3,800 premature deaths and up to 10.5 billion euros in health costs inside and outside its borders in 2015.

### **To help speed up the transition away from coal, the European Union must:**

#### **1. Stop coal subsidies**

Many EU Member States still funnel public money into coal, even though it clearly contradicts the EU's climate and energy targets and puts decarbonisation objectives in jeopardy.

One such subsidy takes the form of so-called "capacity payments", which are payments to plants on top of the revenues they make from electricity generation. Capacity payments are supposedly intended to make sure there is enough generation capacity available to meet peaks of demand, but are often unnecessary or badly designed and instead are used as back-door subsidies to prolong the life of uncompetitive coal plants. The current proposal to impose an eligibility criterion based on CO<sub>2</sub> emissions intensity (often referred to as an 'Emission Performance Standard', or 'EPS') that would exclude coal plants should be strengthened and applied as soon as possible.

Coal also enjoys subsidies by virtue of the enormous externalised costs to our health and the climate - these costs are never borne by the coal companies that create them. Health costs include

cardiovascular and respiratory problems caused by toxic air pollution, while the potential cost of devastating climate change would be enormous.

Uncompetitive coal mines are calling for additional state aid to support their running costs beyond 2018; the EU must resist these calls and prevent other financial support for coal infrastructure. Instead, funds should be channeled towards financial mechanisms to support a Just Transition for workers and communities (see point 3).

As part of the G20 process, the EU must show leadership and encourage the adoption of subsidy phase out deadlines and voluntary peer review processes, through which countries share information that sheds light on subsidies currently in place.

## **2. Fix the Emission Trading System**

Europe's carbon market is oversupplied with billions of "toxic tonnes"; surplus pollution permits which have accumulated on the market the past years. As a consequence, the current EU ETS carbon price signal is too low to ensure the required and timely phase out of high emitting coal infrastructure in Europe.

To make things worse, the ETS funding mechanisms (namely the Art.10c derogation and the Modernization Fund) designed to help lower-income Member States to transform their energy systems risks becoming the EU's largest fund for coal-fired power plants. In a few days representatives of the Commission, European Parliament and Council will meet again to finalize the ETS reform. They need to step up and ensure that the EU's flagship climate tool will truly support the energy transition and not hinder it, in particular by adopting eligibility criteria that would exclude funding for coal power stations.

The EU must align the ETS with the Paris Agreement's ambition to pursue efforts to keep global warming to below 1.5 degrees. In order to achieve this, the EU needs to tackle the vast surplus of ETS emission allowances which undermine future emission reduction efforts and exclude coal investments from the ETS funding mechanisms.

Moreover, alongside the ETS, the EU should introduce additional decarbonisation tools such as a universal Emissions Performance Standard (EPS) for CO<sub>2</sub> for all power plants. For several years the European Investment Bank has already decided it will no longer fund any power generation projects that emit more than 550gCO<sub>2</sub>/kWh, and will review its policy to tighten it again next year.

The European Commission should prepare a proposal to introduce a universal EPS and make energy efficiency performance standards mandatory for all power generation in the EU to ensure the phase out of the most carbon-intensive power stations. Such standards should be set at ambitious levels and provide clear trajectories for further progress to be made over time<sup>1</sup>.

## **3. Support the Just Transition**

A low-carbon economy in Europe is no longer a distant possibility. After the adoption of the Paris agreement, it has become a necessity and is already well under way.

The EU must accelerate a people-centered and just transition by providing tailored financial support to communities and vulnerable households, supporting regions with particular transformation challenges, e.g. mining regions, developing and implementing long-term strategies for economic diversification towards sustainable economic activities and increasing the role of cities and regions in investment planning for decentralised clean energy solutions.

To achieve this, the EU's long-term budget post 2020 should include a dedicated budgetary line for the Just Transition.

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<sup>1</sup> Joint position paper on an EU EPS: <http://www.wwf.eu/?uNewsID=216418>

Moreover, the Emissions Trading System (ETS) should also support the most vulnerable and affected communities by allocating some of the ETS revenues to setup a 'Just Transition Fund' that would offer social and educational support as required.

Increased EU funding is required for transformative projects that stimulate long term quality job creation, particularly in carbon-intensive regions and the Commission's plan to set up a "Coal Platform" to share best practices and support coal regions in drawing up long-term development plans must be supported.

#### **4. Stop wasting energy and commit to 100% renewables**

To phase out coal and transition to a fully renewable energy system it is necessary to stop wasting energy and tap the full potential for renewable energy in Europe. This can be achieved through strong EU legislation on energy efficiency and renewable energy. The current revision of the Energy Efficiency, Energy Performance of Buildings and Renewable Energy Directives is the opportunity to do this.

A binding EU 40% energy efficiency target for 2030, supported by strong and binding national targets and energy efficiency measures, is needed to ensure that investment and action materialise. Such a target will also reduce greenhouse gas emissions and dependency on energy imports, create jobs and improve the health of EU citizens<sup>2</sup>.

A binding 45% renewable energy target for 2030, supported by binding national targets, will create a stable regulatory framework that delivers clean energy for all. Crucially, this must exclude subsidies for high carbon bioenergy such as tree trunks and stumps: replacing coal with wood is not the answer.<sup>3</sup>

To phase out coal, support for energy savings and environmentally sustainable renewable energy must be given the highest priority. Energy efficiency performance levels achieved through state of the art Best Available Techniques (BAT) should be made mandatory under the Industrial Emissions Directive.

#### **5. Enforce and strengthen EU protections on air quality**

Citizens in Europe have a right to clean air, and the EU has a comprehensive air quality framework in place. However, EU laws are breached on a massive scale. A greater effort needs to be made to ensure air quality limits are met all over Europe and where appropriate, Member States need to be held accountable for their failures.

New limits for coal power stations set in the so-called LCP BREF document need to be respected all over Europe and the Commission must take action to prevent derogations from the rules. In addition, requests from Member States for flexibilities in their commitments to meet National Emission Ceilings must be resisted.<sup>4</sup>

The current fitness check of the EU's ambient air quality directive should lead to a strengthening of EU air standards, reflecting the latest science and recommendations of the World Health Organization (WHO).

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<sup>2</sup> Joint position paper on Energy Efficiency: <http://www.caneurope.org/docman/energy-savings/3043-can-europe-s-position-on-the-energy-efficiency-directive-review/file>

<sup>3</sup> WWF view on EU Bioenergy Policy: [http://www.wwf.eu/what\\_we\\_do/climate/renewables/eu\\_bioenergy\\_policy/](http://www.wwf.eu/what_we_do/climate/renewables/eu_bioenergy_policy/)

<sup>4</sup> Letter on NEC derogations: <http://eeb.org/national-governments-must-not-use-legal-loopholes-to-hide-failure-on-air-quality/>