



Explanatory screening energy Brussels, May 15, 2006

State aid to the coal industry

Council Regulation
No 1407/2002





Compatible aid

Aid for reduction of activity (art. 4)

Aid accessing coal reserves (art. 5)

Aid to cover exceptional costs (art. 7)

Other: R&D, environment, training





Aid for reduction of activity

- Operation of the production units concerned shall form part of a closure plan (deadline does not extend beyond 31 December 2007)
- The aid notified per tonne coal equivalent shall not exceed the difference between the foreseeable production costs and the foreseeable revenue for a coal year (annual corrections)
- The amount of aid per tonne coal equivalent may not cause delivered prices for the Community coal to be lower than those for a coal of a similar quality from the third countries
- Aid must not lead to any distortion of competition between the coal buyers and users in the Community
- Aid must not lead to any distortions on the electricity market, the market of combined heat and electricity production, the coke production market and the steel market





Aid for accessing coal reserves

- 1) Aid for initial investment

OR

- 2) Current production aid

- This aid can be granted only if it contributes to maintaining access to coal reserves

- No accumulation of 1) with 2) is possible



Aid for accessing coal reserves – aid for initial investment

- The amount of aid per tonne coal equivalent may not cause delivered prices for the Community coal to be lower than those for a coal of a similar quality from the third countries
- Aid must not lead to any distortion of competition between the coal buyers and users in the Community
- Aid must not lead to any distortions on the electricity market, the market of combined heat and electricity production, the coke production market and the steel market
- The aid must be earmarked for existing production units (“past aid” under art. 3 of the Decision No 3632/93/ESCS)
- production units shall draw up operating plan and financing plan - prove that investment project will ensure viability of these units
- The aid granted shall not exceed 30% of the total costs of the investment project.
- This aid cannot be PAID after 31 December 2010





Aid for accessing coal reserves – current production aid

- The aid notified per tonne coal equivalent shall not exceed the difference between the foreseeable production costs and the foreseeable revenue for a coal year (annual corrections)
- The amount of aid per tonne coal equivalent may not cause delivered prices for the Community coal to be lower than those for a coal of a similar quality from the third countries
- Aid must not lead to any distortion of competition between the coal buyers and users in the Community
- Aid must not lead to any distortions on the electricity market, the market of combined heat and electricity production, the coke production market and the steel market
- Operation of the production units (or group of the production units) forms part of the plan for accessing coal reserves
- Aid shall be granted only to production units which afford the best economic prospects





- 1) The overall amount of aid granted for:
 - reduction of activity and for
 - accessing coal reserves as a current production aidshall be degressive.
- 2) No aid for the reduction of activity may be granted after 31 December 2007
- 3) The overall amount of aid granted for:
 - reduction of activity and for
 - accessing coal reservesshall not exceed **AFTER 2003** the amount authorised by the Commission for the year 2001





Aid to cover exceptional costs

- Definition: aid to cover costs of the rationalisation and restructuring of the coal industry, which are not related to current production (“inherited liabilities”).
- The amount of aid cannot exceed the costs
- Aid can cover:
 - the costs incurred only by undertakings which are carrying out restructuring (costs of environment rehabilitation),
 - the costs incurred by several undertakings.

