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REPORT

on the proposal for a Council regulation on State aid to the coal industry
(COM(2001) 423 – C5-0438/2001 – 2001/0172(CNS))

Committee on Industry, External Trade, Research and Energy

Rapporteur: Hervé Novelli

Draftsman (*):
Berhhard Rapkay, Committee on Economic and Monetary Affairs

(*) Reinforced Hughes procedure

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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(*) Reinforced Hughes procedure

PROCEDURAL PAGE

By letter of 19 September 2001 the Council consulted Parliament, pursuant to Article 94 of the EC Treaty and Article 87(3)(e) and Article 89 of the Treaty, on the proposal for a Council regulation on State aid to the coal industry (COM(2001) 423 - 2001/0172 (CNS)).

At the sitting of 4 October 2001 the President of Parliament announced that she had referred this proposal to the Committee on Industry, External Trade, Research and Energy as the committee responsible and the Committee on Economic and Monetary Affairs for its opinion (C5-0438/2001).

At the sitting of 17 January 2002 the President of Parliament announced that the Committee on Economic and Monetary Affairs, which had been asked for its opinion, would be involved in drawing up the report in accordance with the 'reinforced Hughes procedure'.

The Committee on Industry, External Trade, Research and Energy had appointed Hervé Novelli rapporteur at its meeting of 18 September 2001.

It considered the Commission proposal and draft report at its meetings of 4 December 2001, 18 March 2002, 19 March 2002, 17 April 2002, 23 April 2002 and 13 May 2002.

At the latter meeting it adopted the draft legislative resolution by 26 votes to 4.

The following were present for the vote: Peter Michael Mombaur, Yves Piétrasanta and Jaime Valdivielso de Cué, vice-chairmen; Hervé Novelli, rapporteur; Konstantinos Alyssandrakis, Luis Berenguer Fuster, Massimo Carraro, Gérard Caudron, Giles Bryan Chichester, Harlem Désir, Carlo Fatuzzo (for Paolo Pastorelli), Norbert Glante, Roger Helmer (for Bashir Khanbhai), Hans Karlsson, Peter Liese (for Paul Rübig), Caroline Lucas, Minerva Melpomeni Malliori (for Reino Paasilinna), Erika Mann, Hans-Peter Martin (for Rolf Linkohr), Marjo Matikainen-Kallström, Eryl Margaret McNally, Elly Plooij-van Gorsel, John Purvis, Imelda Mary Read, Mechtild Rothe, Gary Titley, Claude Turmes, W.G. van Velzen, Myrsini Zorba and Olga Zrihen Zaari.

The opinion of the Committee on Economic and Monetary Affairs is attached.

The report was tabled on 14 May 2002.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

LEGISLATIVE PROPOSAL

Proposal for a Council regulation on State aid to the coal industry (COM(2001) 423 – C5-0438/2001 – 2001/0172(CNS))

The proposal is approved.

DRAFT LEGISLATIVE RESOLUTION

European Parliament legislative resolution on the proposal for a Council regulation on State aid to the coal industry (COM(2001) 423 – C5-0438/2001 – 2001/0172(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2001) 423¹),
 - having been consulted by the Council pursuant to Article 87(3)(e) and Article 89 of the Treaty (C5-0438/2001),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, External Trade, Research and Energy and the opinion of the Committee on Economic and Monetary Affairs (A5-0162/2002),
1. Approves the Commission proposal;
 2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
 3. Asks to be consulted again should the Council intend to amend the Commission proposal substantially;
 4. Instructs its President to forward its position to the Council and Commission.

¹ OJ C 304 E, 30.10.2001, p. 202.

16 April 2002

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

for the Committee on Industry, External Trade, Research and Energy

on the proposal for a Council Regulation on State aid to the coal industry
(COM(2001) 423 – C5-0438/2001 – 2001/0172(CNS))

Draftsman: Bernhard Rapkay

PROCEDURE

The Committee on Economic and Monetary Affairs appointed Bernhard Rapkay draftsman at its meeting of 11 September 2001.

It considered the draft opinion at its meetings of 5 November 2001, 20 February 2002, 20 March 2002 and 16 April 2002.

At the latter meeting it adopted the following amendments unanimously.

The following were present for the vote: Christa Randzio-Plath, chairwoman; John Purvis, vice-chairman; Bernhard Rapkay, draftsman; Generoso Andria, Luis Berenguer Fuster (for Pervenche Berès), Hans Blokland, Hans Udo Bullmann, Harald Ettl (for David W. Martin), Jonathan Evans, Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Lisbeth Grönfeldt Bergman, Mary Honeyball, Brice Hortefeux, Othmar Karas, Piia-Noora Kauppi, Astrid Lulling, Thomas Mann (for Ingo Friedrich), Ioannis Marinou, Helmuth Markov (for Philippe A.R. Herzog), Hans-Peter Mayer, Ioannis Patakis, Fernando Pérez Royo, Mikko Pesälä (for Christopher Huhne), Elly Plooij-van Gorsel (for Karin Riis-Jørgensen), Olle Schmidt, Peter William Skinner, Charles Tannock (for Theresa Villiers), Helena Torres Marques, Bruno Trentin, Ieke van den Burg (for Giorgos Katiforis).

SHORT JUSTIFICATION

On 23 July 2002, 50 years after coming into existence, the ECSC Treaty will expire, and with it the set of instruments laid down in it. These will include the arrangements governing state aid from the Member States to the coal industry. The last, still valid, arrangements for an aid 'code' is Commission Decision No 3632/93/ECSC¹. It is now necessary to adopt new arrangements to replace it on the basis of the EC Treaty, since coal mining is not everywhere a going concern without aid.

The European Union has become ever more dependent on imports in meeting its energy-supply requirements. As the Commission indicated in its Green Paper on a European strategy for the security of energy supply, a position confirmed by the European Parliament in its resolution adopted with the Chichester report, energy-supply security can be strengthened by diversifying supply sources both by origin and by product. Nor need such a strategy preclude boosting growth in domestic primary energy sources.

Any such strategy to strengthen security of energy supply must also include Community coal. And there it must be recognised that any operation to re-open abandoned pits is only possible, if at all, in conditions of extreme technical difficulty, generating disproportionately high costs.

In that context the Green Paper proposes investigating whether a minimum coal-mining capacity should be retained for the purpose of maintaining access to coal reserves. The European Parliament, in the Chichester report, insists in that connection that coal is still an important domestic energy source that can guarantee stable and secure energy supply in the long term.

Despite all efforts at modernising, rationalising and restructuring, the greater part of Community coal production is, by reason of the specific geological conditions and the high environmental and social standards set in the EU, uncompetitive with imports from third countries. The strategy for security of supply consequently assumes that Member States can grant aid to the sector.

In addition to security of supply, a number of other reasons also count in favour of maintaining a viable coal mining sector in Member States that have coal reserves.

A complete cycle of value-creation has grown up around coal. Modern energy and technology undertakings are offering complete problem-solving packages on the European market, and with a high market-share on world markets: prospecting, construction and operation of mines dressing installations, power-station technology, coking techniques, environmental technology, logistics and carbon chemistry. There is also a great number of spin-off effects in other industrial sectors.

The Commission has submitted a proposal for a regulation that will have to be adopted by qualified majority by the Council in good time before the ECSC Treaty expires. The arrangements proposed are based on two fundamental principles: creating an indigenous primary energy base by maintaining access to coal reserves and continuing the restructuring

¹ Published in OJ L 329, 30.12.1993

process while maintaining consistency with other areas of Community policy (not least competition law).

Three types of aid are thus considered in the proposal:

- Aid for securing resources (operating aid)
- Aid for reducing activity (closure aid)
- Aid to cover exceptional costs (meeting inherited liabilities).

The Commission proposes that the directive should remain operative until 31 December 2010. Closure aid should, however, end as at 31 December 2007. The Commission proposes that an assessment on the basis of a report to be drawn up in 2006 should then be conducted in 2007. That report should submit proposals to the Council for amending the regulation by 1 January 2008.

Your rapporteur essentially supports the Commission proposal. The decision adopted by the European Parliament on the Green Paper on security of energy supply also supports the Commission's intentions as set out in this proposal for a regulation.

Your rapporteur thinks that the consideration being given in some Member States to a base that would essentially be taken out of the aid scheme is mistaken, and consequently is tabling no amendments in that connection. Any such unauthorised primary energy base would conflict head-on with the EC Treaty, in particular Article 87. The Treaty itself would then have to be amended. More especially, for reasons of principle in relation to the operation of the internal market, any such procedure, which would amount to special exemption for a particular sector, would be unacceptable. It would in particular effectively open the door to other special exemptions for other sectors, which would bring about the collapse of the whole internal market system.

AMENDMENTS

The Committee on Economic and Monetary Affairs calls on the Committee on Industry, External Trade, Research and Energy, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission¹

Amendments by Parliament

¹ OJ C 304, 30.10.2001, p.202 (E).

Amendment 1
Recital 4

It is therefore necessary, on the basis of the current energy situation, to take measures to guarantee the availability of certain Community coal producing capacity, which will help to cover any possible risks that might affect the energy market in the long term. For that purpose, a minimum **quantity of coal should be produced** to keep the equipment in an operating condition and to retain the professional qualifications of a nucleus of miners and technological expertise. As indicated in the Green Paper on a European strategy for the security of energy supply, such measures would make it possible to guarantee the maintenance of access to reserves.

It is therefore necessary, on the basis of the current energy situation, to take measures to guarantee the availability of certain Community coal producing capacity, which will help to cover any possible risks that might affect the energy market in the long term. For that purpose, a minimum **level of coal production should be maintained to guarantee security of energy supply and** keep the **relevant** equipment in an operating condition and to retain the professional qualifications of a nucleus of miners and technological expertise. As indicated in the Green Paper on a European strategy for the security of energy supply, such measures would make it possible to guarantee the **long-term** maintenance of access to reserves.

Justification

According to the Commission proposal, an 'indigenous base of primary energy sources' is to be constituted (Articles 1 and 2 of the proposal for a regulation). That means that a minimum level of coal production must be maintained, not simply a minimum quantity of coal produced.

Amendment 2
Recital 6

Minimum coal production capacities, together with other measures, in particular to promote renewable energy sources, will help to create a platform of indigenous primary energy sources that receive various forms of public support, which will significantly boost **the European Union's** security of energy supply. Furthermore, the creation of a platform of indigenous primary energy sources will also serve to

Minimum **levels of** coal production capacity, together with other measures, in particular to promote renewable energy sources, will help to create a platform of indigenous primary energy sources that receive various forms of public support, which will significantly boost the security of energy supply **in the European Union**. Furthermore, the creation of a platform of indigenous primary energy sources will

promote environmental objectives within the framework of sustainable development.

also serve to promote environmental objectives within the framework of sustainable development.

Justification

Same justification as for Amendment 1.