
POLISH COAL AID SINKS EU POWER MARKET REFORM BID

-

06.12.2018

EurActiv (6 December 2018)

Polands determination to continue providing financial assistance to coal power plants beyond 2030 has sunk an attempt to reform Europes electricity market, negotiators have said.

After an all-night session, European Union legislators failed to reach agreement on a proposed reform of the EU electricity market, part of a clean energy package of laws presented by the European Commission over two years ago.

The session, which started at 18:30pm on Wednesday (5 December) ended at 06:30 in the morning after without a deal.

After 12 hours of negotiation, the Council still defends coal subsidies until 2035. This is simply unacceptable, said Florent Marcellesi, a Spanish MEP who was part of the European Parliament delegation at the talks.

A new trialogue meeting has been scheduled on 18 December to try and find an agreement between the EUs three law-making bodies – the Parliament and the Council of Ministers, under the watch of the European Commission acting as an arbiter.

The collapse of the EU talks is a warning shot for world nations meeting at the UN climate summit in Katowice, Poland.

Poland is advocating a just transition at the UN meeting, which is expected to adopt a rulebook to implement the Paris Agreement goal of keeping global warming well below 2°C.

But the EUs failure to move forward on the power market reform illustrates the difficulties of managing the countrys transition away from coal. Poland is dependent on coal for nearly 80% of its electricity needs.

Grandfathering clause

Talks collapsed over Polands insistence to keep providing state aid to coal via so-called capacity mechanisms which countries have put in place to remunerate power plants that remain on stand-by to meet peak demand for electricity.

The European Commission has proposed putting a CO₂ emission limit on those national schemes. The proposed limit is 550g of CO₂ per kilowatt hour, a threshold that de facto rules out state aid

for coal-fired power plants.

But Poland is pushing hard to obtain grandfathering rights for state aid decisions on capacity mechanisms that have already been approved at EU level, saying it is a matter of legal certainty for companies that have already passed contracts under the Polish scheme.

Everybody is in agreement on the 550g limit but not on the dates of entry into force, Marcellesi told EURACTIV in reference to the grandfathering clause. According to the Spanish MEP, this would have allowed state aid for existing coal plants to continue until 2035.

The big question now is whether a special clause will have to be inserted for a case like Poland, Marcellesi said. Although the matter has not been raised officially, the Spanish MEP said this was the assumption that negotiators were making during corridor talks.

Because it is clear that Poland cannot on its own determine the whole of Europe's energy policy, Marcellesi argued, saying Poland's coal dependence had to be recognised and dealt with at EU level.

Capacity mechanisms reform - key issues to watch

The European Commission wants to limit state aid for power plants that EU countries remunerate to remain on stand-by in case of demand peak. As negotiations on the EU's new electricity market enter the home straight, EURACTIV lists the main issues to watch out for in the debate.

Adequacy assessment and regulated prices

Negotiators also failed to agree on whether EU or national regulators should decide on the necessity to put in place capacity mechanisms in the first place.

Such decisions are informed by an adequacy assessment to determine whether there is enough power generation capacity available to meet demand, including during peak hours of winter.

Those adequacy assessments are currently done by transmission system operators at EU and national level but it is unclear which one should prevail in case of conflict. A proposal to give the final say to EU regulator ACER failed to make the cut.

Another contentious topic at the EU talks related to regulated energy prices. Marcellesi said some openings were made on that front but that discussions were inconclusive. Talks there focused agreeing a final phase out date while maintaining regulated tariffs for vulnerable households in energy poverty.

We'll have to come back on this on 18 December, Marcellesi said.

Capacity markets: How much flexibility for EU countries?

Mostly out of pragmatism, the European Commission has adopted a rather tolerant approach to capacity mechanisms – national schemes that remunerate back-up power plants – accepting that

EU countries face different challenges in the energy transition.

Kaynak/Source: