Coal industry: State aid and security of energy supply

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The report examines the financial aid granted by France, Germany, Spain and the United Kingdom to their coal industries in 2001. Such measures may be considered compatible with the proper functioning of the common market only if they help to achieve at least one of the following objectives: - to make, in the light of coal prices on international markets, further progress towards economic viability with the aim of achieving degression of aid; - to solve the social and regional problems created by total or partial reductions in the activity of production units; - to help the coal industry adjust to environmental protection standards. Thanks to the restructuring, modernisation and rationalisation efforts accomplished during the period in which Decision No 3632/93/ECSC has been in force, part of the Community industry, essentially the UK coalfields, have achieved economic viability or are at least close to it. However, most Community coal production is not competitive with imports from third countries and with other energy products. Poland and the Czech Republic have also achieved economic viability, but the foreseeable increase in labour costs in future could make further restructuring necessary. On 25 July 2001, the European Commission approved a Council Regulation on State aid to the coal industry aimed at maintaining access to coal reserves as part of the process of ensuring security of energy supply. This aim, which justifies maintaining subsidised Community coal production, must be achieved on acceptable economic terms. It means that the restructuring and activity-reduction in the coal industry which have the main feature of the State aid schemes implemented under the ECSC Treaty will have to continue beyond 23 July 2002.