



**European Committee
of the Regions**

ECON-VI/041

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OPINION

Socioeconomic structural change in Europe's coal regions

THE EUROPEAN COMMITTEE OF THE REGIONS

- is convinced that the energy transition being aimed at, and hence the structural change in coal regions, is a European task. This requires taking a holistic approach, including, in particular, measures for infrastructure development, innovation, research and science, business support and development, development of skilled workers, marketing, culture and tourism;
- calls for structural change to also be supported at European level;
- supports, in this context, the European Parliament's call in the ongoing Multiannual Financial Framework (MFF) negotiations for additional funding to mitigate the social, socio-economic and environmental impact of structural change in European coal regions by means of a EUR 4.8 billion new Fair Energy Transition Fund; stresses however that this fund would have to be financed through additional resources and not from the envelope provided for the European Structural and Investment Funds; welcomes the fact that the Commission president-elect has also expressed support in the political guidelines presented in July 2019 for the principle of such a Fair Energy Transition Fund;
- considers, however, that the funding should be closely interlocked with cohesion policy, while the CoR calls for efforts to ensure that this funding is not calculated within the proposed limits of Annex XXII, but is made available as additional funding. This additional funding could then be used to strengthen the ERDF and ESF programmes for these NUTS 2 regions over the next seven years. This interlock would also allow for tailor-made support for all coal regions. This funding is intended to actively promote European added value and is to be open to all coal regions affected by structural change;
- points out that European law on state aid has to be taken into account in this connection and that the current state aid framework expires in 2020, unless the rules are extended by two years (to the end of 2022). The CoR calls on the Commission, when drawing up the new guidelines, to also take account of the problems linked to the structural change in coal regions and to ensure that coal regions have sufficient flexibility to enable them to phase out coal in a socially and economically viable way;

Reference document(s)

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Opinion of the European Committee of the Regions – Socioeconomic structural change in Europe's coal regions

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Support for climate policy goals

1. welcomes the EU Member States' climate goals. At the conference in Paris in December 2015 197 states agreed on a global climate change agreement, which was also ratified by the EU Member States. In it, the states pledge to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase in average temperature to 1.5°C;
2. points out that in its Communication in the run-up to the UN climate summit in Katowice, the Commission states that the EU must achieve carbon neutrality by 2050 if it wishes to play a leading role globally. However, in order to achieve this goal, the EU must – in the end – largely abandon fossil fuels. Power generation from coal, in particular, must be significantly reduced;
3. stresses that coal is currently still mined in 41 regions at NUTS-2 level in 12 Member States (including in the United Kingdom). These regions have in common the great economic importance of the coal and related sectors in terms of value creation and jobs. Apart from this, however, these regions differ widely, for example in terms of geographical location, economic development level and future demographic trajectory;
4. points out that, in order to achieve the climate policy goals, these regions will have to abandon current value chains based on coal production or set them on a new foundation. In addition, in the short, medium and long term they also have to close coal mines (open cast and underground);
5. insists that the socioeconomic structural change in Europe's coal regions takes place against the background of worldwide increasing efforts to phase out coal consumption. Draws in particular attention to a new normal in China, which consumes half of global coal production and accounts for a similar share of global imports, and where the domestic coal demand is now peaking, despite massive domestic production overcapacity. Also highlights a court decision in the Australian state of New South Wales, the world's biggest coal exporting country, which for the first time prevented a company from developing new mines because its investment was not considered consistent with the Paris Agreement. Supports therefore international cooperation related to accompanying the phasing out of coal, such as by the Powering Past Coal Alliance, which includes inter alia 30 national governments and 22 subnational governments;

Alleviating the socioeconomic consequences of transition

6. stresses that the planned further cut in coal production and electricity generation will bring with it a significant transformation in the economic structure, associated with a massive loss of employment, added value and purchasing power in these regions. Most coal regions are

traditional industrial areas in which industrialisation was based on harnessing local resources. They are therefore mainly linked to the iron, steel and metal industries, the chemical industry and other energy-intensive industries; the objective must be to shape structural change in the coal regions in question in a way that is economically successful, environmentally sustainable and, above all, socially acceptable, with a view to achieving a more diversified and low-carbon economy;

7. highlights the fact that, at present, 185 000 people are still employed in coal mines across Europe, and a further 52 000 work in coal-fired power plants. The coal industry is also indirectly linked to various economic sectors, such as production of inputs, equipment, services and consumer goods. According to a European Commission study, a further 215 000 workers are dependent on these linked activities. The study estimates that some 160 000 jobs could be lost by 2030 as a result of current plans to phase out coal mining and coal use for power generation;
8. notes that the EU Member States made an agreement to be at the forefront of the global transition to a carbon neutral and circular economy. The resulting profound transformation of the entire energy system will create opportunities as well as difficulties. The energy transition that has been launched has already created a wealth of new jobs in Europe and, given future needs, should be continued. Care should be taken in the process to make sure that coal regions also benefit from these developments. The European strategy for achieving the climate goals should take on board the consequences for the regions;
9. points out that experience to date from coal regions shows that these transition processes take a long time. A start should already be made now, therefore, on developing new prospects for coal regions and introducing measures. This will require considerable effort at all levels;
10. stresses that one aspect of a successful transformation of the economic fabric is offering affected workers in the coal industry new prospects. This includes re-skilling them for new kinds of work. Access to new jobs in the region or in neighbouring regions should also be eased;

Promoting socioeconomic transformation in coal regions

11. is convinced that the energy transition being aimed at, and hence the structural change in coal regions, is a European task. This requires taking a holistic approach, including, in particular, measures for infrastructure development, innovation, research and science, business support and development, development of skilled workers, marketing, culture and tourism;
12. points out that a sustainable structural transformation in the regions should take advantage of existing strengths. The existing industrial and energy fabric should serve as the basis for future development and take into account the innovation and investment cycles of the existing industrial players. It is therefore necessary to build on regional industrial clusters and operational skills, the skills of professionals, and existing research and development strengths;
13. points out that, given the starting position, there is a risk that very similar strategies for the transformation process are being developed in the regions affected. In order to avoid

inefficiencies, for example due to duplication, there should be an exchange of information at European level;

14. welcomes, therefore, the Platform on Coal Regions in Transition launched by the European Commission, which met for the first time on 11 December 2017. The aim of the platform is to support the 41 coal regions in 12 Member States of the EU in their efforts to modernise their economic structure and to prepare them for the structural and technological change. This work should be further stepped up;
15. takes the view that this platform can be used as an interregional instrument to provide technical assistance at EU level through exchange of experience and coordinated access to the Commission's services wherever necessary;
16. highlights the fact that interregional and cross-border cooperation, for example as part of existing initiatives such as the Vanguard Initiative or in the context of a place-based approach under the Structural and Investment Funds, should play an important role in the approach to structural change: in this area, too, the EU could assume a stronger role in initiating and advancing such cooperation;
17. stresses the need for a secure environment to generate long-term investment and create new jobs. As far as possible, this should further develop existing value chains in the regions. The CoR stresses that public and private investment should be encouraged, especially in view of current economic growth, in order to boost investment in the modernisation and decarbonisation of European industrial, transport and energy systems;
18. stresses the need to strengthen the regions' capacity for innovation. The CoR urges coal regions to develop a strategy to support existing businesses in their efforts to innovate, as well as new business start-ups, particularly in future-oriented areas such as digitalisation and artificial intelligence. In this context, it is very important to improve the environment for start-ups. The CoR points out that many coal regions tend to have smaller employers in industrial, commercial and craft sectors;
19. takes the view that the scientific community plays a key role in the economic development of the regions. Coal regions should therefore also promote the establishment of universities with an emphasis on future technologies that can serve as clusters for setting up companies. However, this is where coordination at European level is particularly useful in order to avoid inefficient duplication. Here, too, there should be support for interregional cooperation in research;
20. takes the view that modern and efficient transport and energy infrastructure, as well as digital infrastructure, is a prerequisite for successful structural change in order to make these areas a more attractive place for setting up a business. Europe-wide coordination and stronger networking also make sense here;

Financial support for coal regions

21. stresses that building up new industries in the regions is a lengthy business that requires considerable financial resources. The CoR notes that local and regional authorities in coal regions need support in this, particularly since they will initially lose revenue as a result of coal production and coal-powered electricity generation being phased out. A large portion of the investment for economic development must come from public funds from the Member States concerned or by attracting new private investments. In this context, the CoR first calls on the Member States concerned to provide sufficient financial and other resources to this end;
22. is of the opinion that cultural and industrial heritage stemming from the rich past, as well as sports infrastructure and tradition should play a positive role in this transformation and should not be viewed only as a burdensome legacy of better days gone by;
23. calls for structural change to also be supported at European level. Even now, the European Regional Development Fund, in particular, is already an important instrument for promoting the regions. The European Social Fund, Horizon 2020 and the resources of the European Investment Bank also make a great contribution to regional development. However, the Committee points out that the funds provided there are not funnelled directly towards coal regions and that, in view of the challenges facing coal regions and the fact that they also benefit other regions, they are too limited. The CoR therefore calls for the provision of additional funds tailored to the needs of coal regions;
24. underscores the fact that EU financial support makes particular sense where projects are to be implemented across national borders. Since all coal regions are currently undergoing structural change, collaboration between regions in developing forward-looking projects is particularly promising. It may also be useful to include adjacent regions in the strategies in order to create functional units;
25. supports, in this context, the European Parliament's call in the ongoing Multiannual Financial Framework (MFF) negotiations for additional funding to mitigate the social, socio-economic and environmental impact of structural change in European coal regions by means of a EUR 4.8 billion new Fair Energy Transition Fund; stresses however that this fund would have to be financed through additional resources and not from the envelope provided for the European Structural and Investment Funds; welcomes the fact that the Commission president-elect has also expressed support in the political guidelines presented in July 2019 for the principle of such a Fair Energy Transition Fund;
26. considers, however, that the funding should be closely interlocked with cohesion policy, while the CoR calls for efforts to ensure that this funding is not calculated within the proposed limits of Annex XXII, but is made available as additional funding. This additional funding could then be used to strengthen the ERDF and ESF programmes for these NUTS 2 regions over the next seven years. This interlock would also allow for tailor-made support for all coal regions. This funding is intended to actively promote European added value and is to be open to all coal regions affected by structural change. Allocation criteria could include total employment in coal mining and the level of coal production in the reference year 2019; regions that have already

started coal mine closures and have partially undergone such transitions should not be excluded provided that coal mining is still taking place;

27. calls for funding to be likewise ERDF funding allocated directly to the regions where these coal mines are located. Support for the regions concerned would be linked to a specific strategy for phasing out coal assessed on the basis of verifiable targets;
28. calls for this allocation to be financed from funding earmarked for the Reform Delivery Tool under the next Multiannual Financial Framework;
29. invites the European Parliament and the Council to include this proposal for a special transitional allocation in the ongoing negotiations on the next Multiannual Financial Framework;

Revising state aid rules

30. points out that European law on state aid has to be taken into account in this connection and that the current state aid framework expires in 2020, unless the rules are extended by two years (to the end of 2022). The CoR calls on the Commission, when drawing up the new guidelines, to also take account of the problems linked to the structural change in coal regions and to ensure that coal regions have sufficient flexibility to enable them to phase out coal in a socially and economically viable way;
31. points out that projects involving cross-border cooperation can already be supported from a state aid point of view, particularly when they are of common European interest. The relevant EU institutions should give more guidance to the regions in the planning and implementation of such projects;
32. calls, in this context, for coal regions to be identified as assisted areas in accordance with Article 107(3)(a) and (c) of the Treaty on the Functioning of the European Union (TFEU), and for the EU aid rules for these special regions to be adapted so as to enable measures to be taken to deal with structural change, in order to offset the absence of added value from politically overarching objectives. In addition, consideration should be given to whether such support measures could be based on Article 107(3)(b) TFEU, given the high-profile and exemplary importance of the climate-resilient transformation of coal regions for EU energy and climate policy. In order to resolve these issues in a timely manner, it is proposed that a joint working group of representatives of interested coal regions and Member States, the Directorates-General for Competition and Regional Policy and the CoR be set up as soon as possible.

Brussels, 9 October 2019

The President
of the European Committee of the Regions

Karl-Heinz Lambertz

The Secretary-General ad interim
of the European Committee of the Regions

Pedro Cervilla

II. PROCEDURE

Title	Socioeconomic structural change in Europe's coal regions
Reference document(s)	-
Legal basis	Article 307(4) TFEU
Procedural basis	Rule 41(b)(ii) RoP
Date of Council/EP referral/Date of Commission letter	
Date of Bureau/President's decision	
Commission responsible	Commission for Economic Policy (ECON)
Rapporteur	Mark Speich (DE/EPP)
Analysis	25/04/2019
Discussed in commission	14/02/2019
Date adopted by commission	09/07/2019
Result of the vote in commission (majority, unanimity)	Majority
Date adopted in plenary	09/10/2019 by unanimity
Previous Committee opinions	
Date of subsidiarity monitoring consultation	-