24 January 2019

Subject: Greece and the forced sale of lignite assets

Dear Vice President Šefčovič,
Dear Commissioner Cañete,

We urge you to take action so that the European Commission reverses its position on imposing the sale of 40% of the Public Power Corporation's (PPC) lignite assets in Greece. If unchecked, this sale will have negative impacts on Greece's clean energy future and the competitiveness of the Greek economy, and stand in the way of a Just Transition for Greece.

This forced sale of 40% of lignite assets is part of the Supplemental Memorandum of Understanding (MOU) signed between the Greek government and EU institutions in 2017. This was based on outdated 2008 data, predating today's more progressive EU environment and climate policy. The underlying rationale behind the forced sale was that the engagement of other companies in the exploitation of Greek lignite would increase the competitiveness of the electricity market, which would in turn lead to lower electricity prices for consumers.

A blow to Greece's clean energy future

Instead, the injection of capital into an outdated fossil fuel source is already negatively affecting Greece's clean energy future. According to the recently presented draft National Energy and Climate Plan for 2030, the lifetime of lignite plants would now be extended well beyond 2030, while renewables would be constrained below their true potential. At a time when EU countries with much smaller renewable resources than Greece set dates to phase out coal before 2030, the Greek government announces that it sees a staggering 2,7 GW of lignite capacity still operating by 2030, covering 17% of electricity demand.

Furthermore, to make the lignite sale more attractive, the Greek government is already undermining the renewables industry. In the last bill of 2018, it eliminated the suppliers' levy and the tax of 2€ per MWh of electricity produced by lignite, which, to date, have both been contributing to the special account used to pay renewable electricity producers[1].

Forcing Greece to build new coal

Moreover, the sale imposes the construction of a 450 MW new lignite plant (Meliti II) which would be necessary in order for the share of lignite assets which do not belong to PPC to reach 40% according to the Supplemental MoU. Such an imposed project, in conjunction with the currently under construction, new 660 MW lignite plant (Ptolemaida V), contradicts the EU's clean energy policy and defies common logic.

[1] The loss from the application of these two measures is estimated to be € 230 million just for 2019.

The cost of coal - to be borne by citizens?

Locking Greece into lignite until 2030 will come with a hefty price, if one takes the EU Emissions Trading Scheme into account: According to the conservative assumptions in Greece's draft National Energy and Climate Plan on the evolution of CO_2 prices, already surpassed by reality, the proposed 17% lignite share for 2030 will lead to approximately €485 million in expenses that year, while the CO2 costs for the entire period until 2030 are estimated to be more than €5 billion[2]. Announcements by the Greek government[3] indicate that these CO2 costs would then be recovered by putting in place a levy in all electricity bills to be paid by Greek citizens who already struggle to survive the economic crisis. Greek citizens should not have to pay the price for keeping lignite running given its significant climate impacts.

Bending the new EU rules on capacity mechanisms?

Moreover, the Greek government has been one of the most avid supporters of further subsidies to coal through capacity mechanisms. Without any consultation with the other participants of the electricity market, the Greek government is currently negotiating with the European Commission a mechanism, which will reportedly boost the lignite industry. In fact, the president of PPC apparently considers[4] the swift approval of this capacity mechanism as key in ensuring a good offer for the lignite sale. It is alarmingly unclear whether the capacity mechanism under negotiation adheres to the new rules of the Electricity Market Regulation that were recently agreed by the EU institutions.

Just transition

Additionally, the asset sale would delay Just Transition for local economies in the lignite regions of Greece. Instead of supporting their transformation, hundreds of millions of euros would be wasted through subsidies to the lignite industry in order to make the lignite sale more attractive. This clearly runs counter to the objectives set out under the EU Coal Regions in Transition platform, which is being convened under your leadership. It is worth noting that the recently established National Just Transition Fund would contain only €20 million per year for the lignite regions in Greece.

It is therefore very important for the European Commission to:

1. Play an active role in removing the condition to sell uncompetitive and polluting lignite assets from the Supplemental Memorandum of Understanding,
2. Support Greece in developing an alternative plan to reform the electricity market, one which is a more sustainable and less costly for Greek citizens,

[2] 33,5€/tn CO2 CO2 price in 2030 and 22,5 €/tn CO2 average CO2 price during the next decade

[3] http://www.ekathimerini.com/233058/article/ekathimerini/business/ppc-ponders-co2-levy-in-power-bills

[4] https://energypress.eu/cat-eligibility-vital-for-prospects-of-ppc-units-sale-chief-notes/

3. Support Greece in developing an Energy and Climate Plan that is in line with the Paris Agreement and the EU long term climate strategy, as well as the European Commission stated air quality objectives, and allows the country to phase out lignite by 2030.

We are also sending a letter on the competition aspects of the forced sale to Commissioner Vestager, which we are also forwarding to you, for your information. We would welcome the opportunity to discuss this more during a meeting. We also draw your attention to the letter sent to you yesterday on this important topic by our colleagues in Greenpeace and WWF.

Yours sincerely,

Mahi Sideridou
Managing Director
Europe Beyond Coal
mahi@beyond-coal.eu
www.beyond-coal.eu