

Public funds from Europe's carbon trading programme - set up to help poorer countries reduce emissions - will help build two plants that will emit about 7m tonnes of CO<sub>2</sub> a year. Greece appears on track to win access to a controversial EU programme that could earmark up to €1.75bn in free carbon allowances for the building of two massive coal-fired power plants.

The 1100MW coal stations will cost an estimated €2.4bn, and emit around 7m tonnes of CO<sub>2</sub> a year, casting doubt on their viability without a cash injection from an exemption under Europe's carbon trading market.

The European parliament's industry committee last month approved a rule change allowing Greece to join the scheme, the '10c derogation' of the emissions trading system. Now, positive votes in the environment committee next month and at a plenary in February could set wheels in motion for the coal plants.

Gerben-Jan Gerbrandy, a Dutch Liberal MEP on the environment committee, said: "Lignite has no future and should not be stimulated in any way. Greece's intention of using public funds to revive its lignite-based model should not be allowed. Article 10C is there to help poor countries towards a sustainable energy future. Lignite does not fit these criteria."

"You couldn't make this up," added Imke Lübbecke, WWF Europe's head climate and energy policy. "The ETS was intended to reduce greenhouse gas emissions but it now risks being abused to facilitate investments in the new coal plants, which would operate well within the 2060s."

"This would violate climate targets and is in no way compatible with the leadership role the EU aspires to play in global climate policy and carbon markets."

Greece depends on 16 ageing lignite coal units for around half of its electricity production and its energy establishment sees two new lignite plants in western Macedonia as a cost-effective way of modernising and securing energy supplies.

Emmanuel Panagiotakis, the president of the Greek public power corporation, told MEPs last year that without access to free emissions allowances, Greek lignite production would be discredited, causing electricity costs to skyrocket and jeopardising energy security.

One of the two new plants, Ptolemaida V, is already under construction, with its €1.4bn price tag underwritten by a €739m loan from a consortium led by the German export bank, KfW-Ipex. As well as CO<sub>2</sub>, the plant would annually emit significant air pollution: 2,100 tonnes of sulphur dioxide, 2,800 tonnes of nitrogen oxides and 140 tonnes of particulates, studies say.

A memorandum of understanding for the other plant, Meliti II, was signed in September between the Greek government and CMEC, a Chinese construction company.

Greece has the lowest quality lignite in Europe and plants such as these would not be viable without access to free carbon allowances, according to Panagiotakis.

Studies paid for by WWF have found that clean energy alternatives would make more environmental and financial sense, but they cut against the grain in Greece.

"The GPPC has always worked with coal," one well-informed industry source told the Guardian. "They have grown up with lignite. It is what they know, what the state requires of them, and what they will do. It would be easier to change your grandmother's mind about something."

The original 10c derogation was a classic Brussels fudge that allowed east European members to sign up to the EU's 2020 climate package. Between 2013 and 2019, it allocated 673m free emissions allowances to coal-dependent countries whose GDP per capita was 50% below the EU average.

An equivalent value is supposed to be spent by these countries on retrofitting and upgrading energy infrastructure, diversifying energy sources, and on clean energy.

In practice though, the derogation has been controversial, with Poland – by far the system's biggest beneficiary – claiming hundreds of millions of euros for ghost coal plants which did not exist.

Gerbrandy said: "10c is a very important instrument that unfortunately can too easily be abused. We have seen this happen in the past. Strong governance and a clear focus on a true transition towards sustainable energy infrastructure are crucial."

WWF calculates that under the commission's proposal for revising the ETS and 10c rules, Greece would receive 7m free allowances every year between 2021-2030. The commission's estimated 'shadow' allowance price of €25 per tonne of CO<sub>2</sub> over this period, would set the total handout at approximately €175m a year, or €1.75bn for the decade.

Giannis Tsipouridis, the president of the Greek wind energy association, Eletaen, said:

"Building two new coal plants in this day and age is not only environmentally wrong, but financially wrong. These investments will never pay off. Renewables are the only way out of Greece's energy mess."

Before it took power in Greece, the leftwing Syriza movement pledged itself to environmentally safe growth and "the ecological transformation of the economy".

But the party was also committed to building new coal plants and, under pressure from an EU refusal to write down its debts, focused on coal as an energy safeguard.

Speaking to the Guardian last year, a senior Syriza source said that continued fiscal problems would make it wiser to burn lignite than to import it. "One way or another Greek lignite will be exploited," he said.

## Greece set to win €1.75bn from EU climate scheme to build two coal plants

Environmentalists say that under Syriza, forest protections have been weakened, energy efficiency policies undermined, environmental permitting systems deregulated, and renewable projects damaged by changes to support schemes.

“We had high hopes when Syriza was elected because of their programme,” said Nikos Mantzaris, a spokesman for WWF Greece. “We thought they would be friendlier to the environment but in fact their choices have been even worse than the previous government. Syriza came to power promising to get rid of fossil fuels in the next 20 years and instead, they’re investing in lignite.”

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