A decision imposed by the EU on Greece to sell a large proportion of its lignite coal assets could be disastrous for consumers and the sustainability of Greece’s energy model, warns Nikos Mantzaris.

Nikos Mantzaris is energy and climate policy expert at WWF Greece.

The sale of 40% of Greek utility PPC’s lignite assets – the most polluting form of coal – is undoubtedly the most significant energy-related development in Greece in recent years. However, it was not a decision made by the Greek government or the company itself – it was imposed on PPC by the EU institutions as part of the newest agreement between Greece and its lenders.

The rationale behind the EU’s decision is that the engagement of other companies in the exploitation of Greek lignite will increase the competitiveness of the energy market, which will in turn lead to lower electricity prices for consumers.

This view is based on the assumption that lignite will be the cheapest source for electricity generation in Greece. That is far from being true.

The reform of the Emissions Trading System, aiming at increasing the carbon price, will bring about a major increase in the operational costs of PPC’s lignite units. It is for this reason that PPC, supported by the Greek government, tried very hard – albeit unsuccessfully – to obtain free emission allowances during the more than two-year long, ETS reform process.

In addition, the EU’s new rules on pollution from power plants will require expensive retrofits for the highly polluting lignite units. At the same time, conventional electricity generation technologies are already facing significant competition from renewables, a trend that is expected to become stronger in the future.

A recently published study on Greece’s Long Term Energy Plan by the National Observatory of Athens and WWF Greece demonstrated that electricity costs will be significantly higher if the country’s lignite reliance is prolonged. On the other hand, electricity costs go down under the scenarios that foresee the expansion of renewable energy sources combined with ambitious energy efficiency policies.

Thus, even if one completely disregards the impact that lignite burning has on the climate, the environment and public health and focuses solely on the economics of energy generation, Greece should aim at a swift lignite phase-out. Selling PPC’s lignite assets will bring new investors to Greece’s energy market who will bankroll lignite use for decades to come.

One might also wonder: Is there no coordination between the European Commission’s services? On one hand the European Commission is trying to mainstream climate and

environmental challenges through tightening emission rules and striving for clean energy. On the other hand, the EC is contributing towards extending the lignite-based electricity model in Greece, by encouraging new capital pouring in mines and plants – not to mention the non-EU takeover risk of energy infrastructure assets.
The imposed lignite sale has already had a negative impact on European policy. Faced with the next to impossible mission of rendering lignite units attractive for potential investors, Greece was one of the loudest voices against the European Commission’s proposal to exclude coal plants from subsidies known as capacity payments at the December Energy Council.
Due to the persistence of Greece, Poland and a handful of other Member States, the Council agreed that existing coal plants may continue to receive capacity payments until 2035, a major retreat compared to the Commission’s proposal and a clear contradiction to the Paris Agreement on climate change.
Improving PPC’s financial health -another of the EU’s stated objectives- requires a completely different approach. The EU should help PPC to withdraw from the absurd, under the circumstances, project of constructing the new 660MW Ptolemaida V lignite plant, scheduled to operate in 2022.
The company’s CEO himself has publically admitted the losses this facility will have if Greece does not receive any free emission allowances. In the meantime the project is depriving the company of valuable funds and it will continue to do so, since no financial institution agrees to provide additional financing for the new lignite unit.
For the time being, only Euler-Hermes, a German export credit agency, is actively supporting PPC by lending half of the construction cost, which essentially pays the German manufacturing company providing the equipment for Ptolemaida V.
The funds directed to Ptolemaida V can instead be invested in expanding PPC’s renewable energy and energy storage portfolio. Hybrid combinations of wind, solar and hydro-pumped facilities can provide the exact amount of energy Ptolemaida V is designed to generate, and at a reduced levelised cost.
Thus, implementing such a plan will place PPC at an advantageous position in the integrated energy market of the next decade.
The lignite sale imposed by the EU will end up hurting PPC and at the same time prolonging the country’s dependence on polluting and expensive lignite for the decades to come.
Thus, the EU should remove this stranglehold placed on Greece’s energy future and encourage the Greek government to commit to phasing out lignite by 2030 as, one after another, its EU counterparts are doing.

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