With its nine surface lignite mines which are producing coal for its four power plants, Oltenia Energy Complex is the most polluting company in Romania, responsible for an estimated 190 premature deaths in 2016. The company is also a big emitter of climate-wrecking greenhouse gases: in 2019 its plants released 11 million tonnes of CO2 into the atmosphere.

The Romanian government is planning a €1,3 billion subsidy to state-owned Oltenia Energy Complex to restructure the company, including extending the life of coal units and investing in fossil gas. The state aid has to be approved by the European Commission, which has opened an investigation on the case and may reject it as incompatible with EU competition laws.

The public funding is supposed to support Oltenia on a decarbonisation and restructuring path, but the plan presented by the company does not foresee any structural change in terms of business model, and a recent analysis published by Greenpeace shows it could actually result in a 28% increase in emissions over the next ten years. The plan also includes bringing Oltenia in line with EU air pollution emission limits. However, EU standards for industrial emissions are based on economically and technically viable conditions for the operator, and should not be eligible for state aid. Allowing Romania to subsidise Oltenia's compliance with public money would launch a bad signal to the other countries and businesses that complied with emission limits in due time using their own money, and undermine the whole framework that defends EU communities from harmful air, water and soil pollution, campaigners warn.

Half-way through the Commission's investigation on the eligibility of the subsidy, which is open for contributions until 19 April 2021, Bucharest has further increased its financial support to Oltenia, by offering the company an extra €241.4 million grant for buying its CO2 allowances for 2020, through an emergency order issued on March 31st. Oltenia was at risk of being charged almost €1 billion in fines had they failed to settle this obligation by the end of April. This second grant will represent a further violation of EU state aid rules, campaigners point out.

Money for nothing

Oltenia could become a viable energy producer if it decided to invest in truly green resources and technologies. However, the plan presented by the company only includes limited investments in solar capacity, while it aims to extend the life of the existing coal plants and convert units to fossil gas. This will contribute to locking a part of Romanian energy mix to increasingly expensive fossil fuels, at the expenses of both citizens and the new business actors willing to invest in more remunerative renewable energy resources. Instead of embracing the necessary transition towards clean energy, Oltenia's plan for the future seems to ignore all economic, political and environmental signals coming from the international arena.

Their business model is far from economically sustainable. The price of carbon emissions has gone up by 120% over the last year, and the new EU climate targets for 2030 will likely make it increase even more. With estimated cost of carbon certificates to be paid by Oltenia in the period 2020–2030 amounting to about €3.68 billion, the company's CO_2 emissions represent not only a climate hazard, but also a burden for Romania's state budget. As the gap between power price and carbon price keeps narrowing, coal profits are collapsing all over the world. A recent report by Carbon Tracker reveals that the value of share offerings in fossil fuel companies has dropped by almost 20% since 2012, while low-carbon companies gained ground in the shift towards clean energy.

Romanian electricity production from coal declined from 24,78 TWh in 2011 (40% of the total generation) to 9,37 TWh in 2020 (16,7 % of the total), whereas wind and solar regularly grew from 2,24% of total energy generation in 2011 to 15,53% in 2020. Instead of wasting public money to artificially sustain a polluting industry in its endgame, Romania could redirect the funds to boost renewables. At the same time, the EU has committed to the Paris Agreement, which requires to phase out coal by 2030 at the latest, and has taken up a new role in international climate diplomacy, where it is advocating to stop financing fossil fuel based infrastructures. Romania, however, is among the few EU member states where an official coal exit discussion has not even started.

Just transition in jeopardy

If Bucharest's choice to subsidise fossil fuels comes at a high price for Romanian citizens and the environment, the government's lack of vision for a future beyond coal risk resulting in an even more costly mistake. The European Commission will support coal regions in their transition away from the most polluting of fossil fuels with the €40 billion Just Transition Fund, which is meant to help workers and communities through the reconversion. However, the fund will only be accessible to regions that clearly commit to transitioning to a carbon-neutral economy. This is particularly critical for local communities in Romanian, Polish and Bulgarian regions, among others, that are not getting their coal exit and climate plans in order.

Vlad Catuna, Climate and Energy Campaigner at Greenpeace Romania, told META:

"The restructuring of Oltenia is a golden opportunity to modernise Romania's energy system, secure new clean energy investment, and ensure a just transition for coal workers and regions. It’s time to end subsidies to fossil fuels. Oltenia must come up with a new plan along these lines.”

Not an isolated case

Bucharest’s subsidy to Oltenia is not the only case of dubious state aid to coal corporations currently under investigation by the European Commission. As part of its coal phase-out, Berlin has also promised multi-billion Euro payouts to Germany’s main lignite operators RWE and LEAG for closing their plants – a golden handshake that risk setting a costly precedent for other countries’ coal exit plans across the EU.

With the Commission’s Directorate General for Competition expected to publish its verdict on the German case in the upcoming weeks, campaigners demand that it be rejected in line with EU state aid rules and the bloc’s environmental and climate ambitions.

Christian Schaible, Policy Manager for Industrial Production at the European Environmental Bureau, told META:

“The coal era is over and operators have known it for years, but they chose not to adapt. Instead of subsidising polluters with public money to compensate for their outdated business choices, the German government should claim back their air pollution, water and carbon debt, and hold polluters accountable for the damage they inflict to people and nature”.

“The EU competition policy should reinforce the European Green Deal and its climate, zero pollution and just transition objectives, and not secure yet another stream of subsidies to the coal industry” added Elif Gündüzyeli, Senior Energy Policy Coordinator at CAN Europe. “Under no circumstances can citizens’ money finance bad business decisions which aim to prolong the use of coal or other fossil fuels.”

Source: meta.eeb.org