

# THE NEW EUROPEAN GREEN DEAL AND ITS IMPACT ON THE ROMANIAN COAL INDUSTRY

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## Abstract:

*The European Commission adopted the European Green Deal in December 2019. This document contains new European Union commitments on addressing environmental and climate challenges. One of the objectives is to achieve climate neutrality by 2050. To achieve this goal, it is essential to transform the electricity sector so that it is based in particular on the production of electricity from renewable resources, and the rapid and complete elimination of coal. In this context, the article analyzes the social impact of giving up coal-fired electricity.*

*Keywords: green deal, environment, climate, climate neutrality, coal, renewable resources.*

*JEL classification: L71, Q28, Q32, Q56.*

## 1. Introduction

Efforts to reduce pollution have so far proved insufficient, with climate change accepting and global warming continuing. Thus, it is necessary to take additional measures and intensify the existing ones.

In this context, the European Union has proposed an ambitious plan to achieve climate neutrality by 2050, an objective set out in the European Green Pact, as an integral part of the European Commission's strategy to achieve the United Nations Sustainable Development Goals. In drawing up the Ecological Pact, the European Commission aimed to protect people and ecosystems through better monitoring of pollution, as well as faster prevention, reporting and remediation. The European Union's ambitious zero pollution plan also envisages separating economic growth from increasing pollution. This goal can also support the faster and more sustainable recovery of the economy after the COVID-19 health crisis, by promoting the integration of the zero pollution target in recovery actions, encouraging the adoption of practices that reduce pollution, generate new jobs and reduce social inequalities.

In order for the EU to achieve its ambitious zero pollution target, the use of coal for energy production needs to be phased out by 2050 across the Union.

## 2. Coal consumption and production at European and national level

For 2019, lignite consumption in the European Union is estimated at approximately 308 million tons. The trend followed by coal consumption, since the 1990s, is represented in Figure1 Lignite consumption at EU level. In the period 1990-1999, consumption decreases rapidly, followed by a period of 2 years in which it was between 400-450 million tons per year. Since 2013, the consumption trend is decreasing (Eurostat, Coal production and consumption statistics).

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Figure1 Lignite consumption at EU level

Source: Eurostat

Coal production has also been steadily declining over the period 1990-2019, similar to consumption. Figure no. 2 Coal consumption and production at EU level, 1990-2019 graphically represent the trends of the 2 indicators, in the time period 1990-2019.

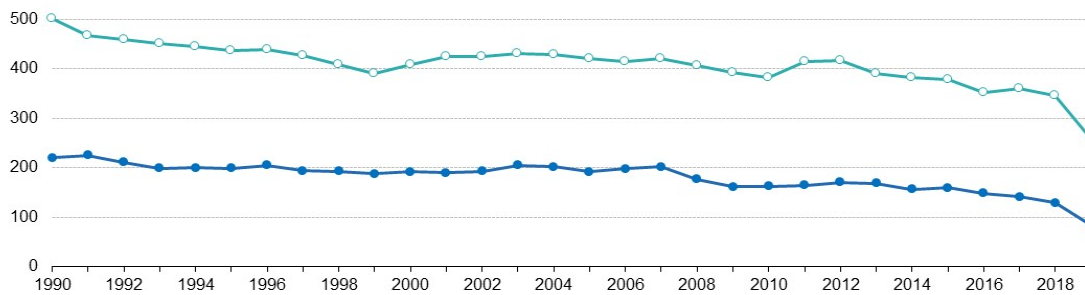


Figure no. 2 Coal consumption and production at EU level, 1990-2019

Source: Eurostat

Lignite is produced in the European Union in countries such as Germany, Poland, the Czech Republic, Bulgaria, Greece and Romania, countries where it is consumed, exports and imports being negligible. Figure no. 3 Lignite consumption by EU Member States, 2014-2019 graphically represents the lignite consumption by Member States of the European Union, in the period 2014-2019.

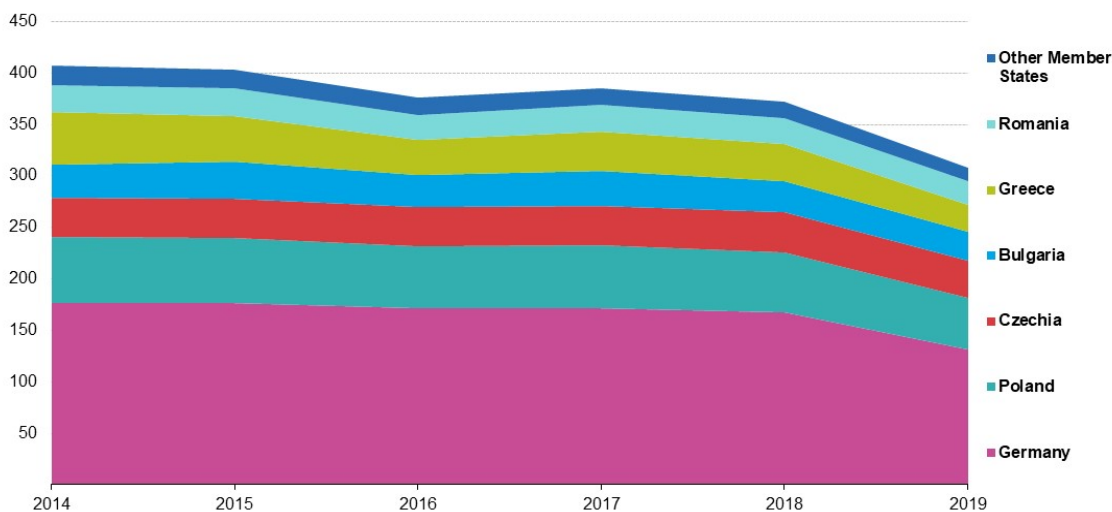


Figure no. 3 Lignite consumption by EU Member States, 2014-2019

Source: Eurostat

In Romania, the consumption of coal for energy production has gradually decreased since the 1990s as a result of declining energy demand, industrial restructuring, and environmental pressures. Some of the consequences of the closure of mining operations are the weakened economies of those regions and negative demographic trends as a result of labor migration and the aging of the remaining population.

### 3. Implications of the New European Green Pact on the lignite industry

Recent assessments have shown that current trends are less positive. Given the current pace of progress in meeting the climate and energy targets set for 2030 and 2050, there is a clear risk of non-compliance (European Environment Agency, European Environment - State and outlook 2020).

In this context, the current European Commission (2019-2024) has set as a priority the promotion of a New European Green Pact, designed to provide a framework for action to make the transition to sustainable economic development. The objectives of the new pact are to reach the target of zero greenhouse gas emissions by 2050, economic growth to be decoupled from resource consumption and no place, and no one will be left behind.

One of the planned actions is the decarbonisation of the energy sector.

At EU level, coal-fired energy is still an important part of energy needs. Given the ambitious goals set in the New European Green Pact, the transition to renewable energy resources is pursued as soon as possible. In this context, the question arises as to how much coal will count in the future in energy production.

Under the new agreement, by 2050, coal must be phased out of energy production and replaced by green sources. However, giving up coal also has major social implications.

The implementation of the New European Ecological Pact in Romania will endanger approximately 28,000 jobs. The most affected areas are the Jiu Valley and Oltenia. In Gorj and Hunedoara counties, 90% of the workers employed in the mining sector work, and directly dependent on coal mining and energy production based on coal consumption are considered a number of 18,600 people (European Commission, 2020 Country Report on Romania).

Part of the Green Pact is the European Union's Mechanism for a Fair Transition. According to him, the areas affected by the implementation of the new green agreement and which depend economically and socially on coal mining, will be financially supported in order to diversify the economy and the professional reconversion of workers.

One solution identified by Bankwatch experts is "retraining and redistributing former employees of the coal industry in the renewable energy sector, with employment opportunities that are aligned with the EU's climate neutrality target of 2050". The solution is considered very attractive because Romania has a great potential for the development of the energy sector from renewable resources.

The amounts allocated by the European Union to achieve climate neutrality by 2050 over the next 7 years are around € 250 billion. At the same time, the non-reimbursable amount of 7.5 billion euros is available through the fair transition fund, for the direct support of the affected regions and people. Regarding Romania, the affected areas are Valea Jiului and Oltenia. For our country, from the fund for a fair transition, the amount of 750 million euros is allocated.

According to MEP Siegfried Mureşan, "coal pollutes the most". It considers the transformation of coal-fired power plants into gas-fired power plants as one of the solutions for reducing greenhouse gas emissions. In this case, the employees will not lose their jobs, and the refurbishment of the power plants is easy to do.

#### **4. Conclusions**

Although the energy from burning coal is still an important part of the total energy consumed, solutions must be found quickly to completely eliminate it, by 2050. In the context of removing coal from the energy mix, many jobs will be lost and occupants they must be the beneficiaries of the non-reimbursable funds available through the Fair Transition Fund. The economy of areas affected by the transition to a sustainable, low-polluting economy will also be affected and new growth alternatives will need to be found. Thus, it is recommended to make investments, from the fund available to Romania for a fair transition, in the field of energy from renewable sources, research and innovation, to stimulate the growth of the number of new companies.

With regard to employees who are about to lose their jobs due to the transformation of the economy, the fund for a fair transition provides significant sums of money to finance the costs of retraining and assistance in finding a new job.

At the national level, the planned investments aim at converting coal-based facilities into gas-based facilities.

As it results from the Communication from the European Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the European Ecological Pact, stronger measures are needed to address climate and environmental challenges, which have so far been insufficient.

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