PROSPECTS OF COAL EXPLOITATION AGAINST THE LIBERALIZATION OF EUROPEAN GAS AND ELECTRICITY MARKETS

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ABSTRACT: Europe is now being held responsible for the energetic defiance demonstrated by an increase of the global energy demand against meeting this demand especially by using fossil fuels (coal), oil and natural gas. The alarming pollutant effect of coal consumption, high oil prices and the EU dependence on the import of oil are just a few of the challenges for which the setting up of a common efficient and competitive European energetic market should provide solutions. The liberalization of energetic and gas markets through which the Union’s consumers would benefit by reduced and more transparent prices, by more rights, by protection against the uncertainty/instability of energetic supplies and against disloyal commercial practices stands as an example in this respect.

Comparing all the advantages and disadvantages generated by the use of coal as the main raw material in the combination of resources necessary to meet the energy demand at European level, it is easy we can reach the conclusion that coal will remain a future safety factor for the energy supplies, and due to its availability, negotiable prices and the implementation of technologies which reduce green gas emissions, the growing dependence on oil and gas imports from unstable third countries can be limited even though the liberalization of energy and gas markets would bring forth lower and more transparent prices for the other competitive resources like oil and natural gas.

KEY WORDS: competitiveness, private sector, entrepreneurial initiative, narrow market, mono-industrial area

1. INTRODUCTION

Europe is called upon today to stand up against energy defiance, represented by a large global energy demand, and to cover this need especially through the consumption of solid fossil fuels (coal), oil and natural gas. The polluting effect of the use of coal, the high oil prices and Europe’s dependence on imports are just some of

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the challenges that need solutions through creating a common European energy market which is competitive and effective.

The liberalization of electricity and gas markets through which consumers from the Union would benefit from lower and more transparent prices, from more rights, from protection against the precariousness of energy supplies, and against unfair trade represents an example in this respect.

Balancing all the advantages and disadvantages derived from the continuous use of coal as an important raw material in the mix of resources necessary to ensure the European energy demand, leads to the determination that coal will remain a safety factor within the energy supply, and due to its availability, to negotiable prices and to the implementation of technologies that reduce greenhouse gas emissions, the growing dependence on imported oil and gas from uncertain third countries is limited, although energy and gas market liberalization will bring lower and more transparent prices to other competing resources, oil and gas.

The development and the intensive use of industrial procedures, machines and means of transportation that consume energy contributed decisively to the achievement of our current standard of living: energy released people from the burden of demanding physical labour, it multiplied their productivity, it produced light and heat, it revolutionized agricultural crops, creating an unexpected mobility and communication. Energy has become the engine of modern economies, being a requisite for any basic supplies.

The importance attached to energy on all levels (resources, production technologies, transmission and distribution, environmental impact) is summarized in the European Union's three priorities:

- increasing the security of supply
- ensuring the competitiveness of European economies and the availability of affordable energy
- promoting a sustainable environment and fighting climate change.

The existence of functioning energy markets that ensure secure energy supplies at competitive prices is a key factor for the welfare of EU consumers. In order to achieve this objective, the EU has decided to open Europe's gas and electricity markets, as well as to create a single European energy market.

2. WHAT DOES THE LIBERALIZATION OF EUROPEAN GAS AND ELECTRICITY MARKETS IMPLY?

Electricity and gas are the quintessence of Europe’s welfare. Without a competitive and efficient European electricity and gas market, the people of Europe will pay excessive prices for one of their daily basic needs. Moreover, the electricity and gas market is crucial for Europe's competitiveness, since energy is a major European industry.

In addition, a competitive and efficient European electricity and gas market is a prerequisite for tackling the problem of climate changes. Only a well functioning market allows the development of an efficient mechanism for trading emissions and only an industry based on renewable energy is able to reach the ambitious objective of
the European Council, which is to provide 20% of the energy mix from renewable energy sources by 2020.

In the end/in the long run, a competitive and efficient European electricity and gas market is essential to ensure the security of Europe’s energy supply, whereas only a competitive European market produces appropriate investment signals and offers fair network access for all potential investors, providing real and effective incentives for both network operators and for manufacturers to invest billions of euros that will be needed in the EU in the next two decades.

Fulfilling all these features of the electricity and gas market implied the beginning of a liberalization process which had been started about 10 years ago. Initially, some legislative measures had been taken to ensure the transparency of prices for final customers and to facilitate the transit of gas and electricity through important networks within the EU area. The next step was the removal of some restrictions regarding the equal access of companies to the exploration and exploitation of hydrocarbon reserves.

In 1996 and 1998 an important step was taken due to electricity and gas directives, which gives the green light to the electricity and gas trade within the Community. The liberalization of electricity and gas markets, which were opened for major consumers in 1999, and in 2000 respectively, marked an important success due to the decision regarding their total liberalization for all consumers by the end of 2004. The decision was made in 2002 by the European Council in Barcelona.

The adoption of Common directives for gas and electricity simplifies and homogenizes market rules, marking a new step towards strengthening a unique market. The proposal for a Directive that provides access to the network for cross-border trade with electricity can remove national barriers between countries.

A decentralized market needs rules, as well as institutions that make sure that these rules are obeyed; this role of moderator is currently being awarded to the European Commission. The Commission’s role is little agreed upon by national governments, who consider that this position confers political power.

Since the current electricity and gas directives entered into force in July 2003, the Commission has constantly monitored their implementation and their effects upon the market and it has maintained regular contacts with all stakeholders.

In particular, the Commission published annual comparative evaluation reports on the implementation of internal electricity and gas markets. It organized the World Forum of Energy Regulations in Florence and the World Forum of Gas Regulations in Madrid, which regularly got together ministries, national regulation authorities, the European Commission, transport system operators, providers, consumers, unions, network users and power exchanges.

At the end of 2005, the European Council from Hampton Court requested the adoption of a real European energetic policy. In response, the European Commission published on March the 8th, 2006 a green book regarding the development of a common and coherent European energetic policy. Ever since 2005, the Commission has started an inquiry about the competition on the gas and electricity markets.

This investigation within the energetic field answered the questions raised by consumers and by the new operators in the field concerned with the development of
whole-sale gas and electricity markets and with the limited options of consumers. The final reports of the inquiry was approved by the Commission together with a great set of measures which resulted in proposing a new energetic policy for Europe on January the 10th, 2007 called “An Energy Policy for Europe - the need to act”; its main objective is encouraging competition on European energy markets and the proper functioning of these markets.

While most EU countries opened their energy market to offers some time ago, in 14 countries of the EU the gas and electricity market were opened as of July 1, 2007. While in Denmark, United Kingdom and Spain, consumers are already enjoying this privilege, in countries like Romania, France, Slovakia and Lithuania, the liberalization of energy and natural gas markets represents a new development.

According to EU legislation, starting from July 1st, 2007, all households in these countries may benefit from the freedom of choosing their own electricity and gas suppliers. Other countries, which have been exempted from the immediate application of these new measures, will have to wait a little longer. For example, Latvia and Portugal are to open their gas markets in 2010.

In order to enable European consumers to choose their own energy suppliers, the European Commission decided to materialize and to finalize the internal energy market, proposing a clear separation between the energy distribution networks and the economic gas and electricity providers, stating that when a company has the monopoly over the production and the distribution networks, it carries the risk of abuse. Due to the measures imposed by the Commission, new companies are going to enter the market, which are to encourage competition and the security of supplies, especially in cases of energy crises.

In order to achieve a true European energy market, it is considered that exchanges across borders should be facilitated. Many problems are caused by the existence of different national technical standards and by the type of energy networks. To remedy this, the Commission has set up an agency to coordinate national regulators.

Moreover, it has elaborated a system to improve the collaboration between managers of distribution networks. Last but not least, the Commission plans to set up a European observatory of energy that will be in charge with gathering information on the proper functioning of the internal market.

For consumers, these measures should lead to lower and more transparent prices, more rights, protection against the precariousness of energy supplies, and against unfair trade.

3. THE INCIDENCE OF GAS AND ENERGY MARKET LIBERALIZATION ON THE DEVELOPMENT OF COAL CONSUMPTION

In March 2006, the European Council drew up an alarming report regarding:

- the difficulties of gas and oil markets;
- the increasing dependence of European Union;
- the growth and volatility of the price of energy;
- the growth of global energy demand;
Prospects of Coal Exploitation against the Liberalization of European ...

- the risks regarding the security of supplies;
- the threats of climate changes;
- modest progress made in the field of energetic efficiency and by the use of renewable energy sources;
- the need to increase transparency on energy markets and further integration and interconnection of national energy markets in the context of energy market liberalization;
- limited coordination of energetic actions, as long as there’s the need for large investments in the energetic infrastructure.

Currently, the EU is in a situation of acute energy dependence (50% of energy is imported, estimating that this dependence will reach 70% in 2030), being largely dependent on solid fossil fuels, oil and gas (fossil fuel dependence reaches 80%, and it is estimated that EU energy imports should go up from 50% to 70% by 2030), and this dependence is expected to increase in the following years despite the acknowledged negative impact upon the quality of environment and the actions taken to promote non-pollutant “green energy”.

At present, the Union emphasizes the need to develop more renewable energy; the target is very ambitious, since it must reach 20% of total energy consumed by 2020; in addition, there will be set a minimum mandatory target of at least 10% biofuel (according to the roadmap for renewable energy from January 10th, 2007).

Switching to other types of energy is inevitable, but it will be difficult. However, the world has already undergone a change of this type, especially in the nineteenth century, when it replaced biomass fuels (mainly wood) with coal and then with oil. Currently, however, we still lack sufficient means of exploiting renewable energy in order to experience a transformation comparable to the one from the nineteenth century.

The obstacles are caused by several factors:
- the density of energy, the areas needed for biofuels production (to the detriment of other activities, mainly agricultural);
- intermittent production because of its discontinuous characteristic and unpredictable flow (wind, solar energy, tide), which requires detailed planning in terms of storage capacity;
- the geographical distribution of renewable energy sources.

As far as nuclear energy is concerned, even if there will be initiated a very ambitious policy of renewing and setting up power plants, the global nuclear industry will not be able to handle the demand.

The current situation, and especially the forecasts regarding the future of energy within the EU, motivates the concerns shown by the Union towards the need to ensure an overall growth of energy demand in parallel with environmental care, requiring Member States to become copartners and to use the EU as an effective tool for developing a common energy strategy, the main objective of which is a better management of consumption and a diversification of supply sources.

The European Union has the right scale and it has the institutional tools. It is able to develop transnational policies, to coordinate national policies, to generate
greater European cohesion within the energetic field and, finally, to develop an energy policy in relation to third countries.

It is acknowledged the fact that within the framework of transnational policies and the common European strategy, the demand of energy from fossil sources will continue to be quantitatively important and to represent a vital matter. Therefore, within the field of fossil energy, it is recommended that some alternative sectors should be created, especially ones that are based on coal. The researches regarding “clean coal” (exploited through non-polluting technologies) make considerable progress and they must be accelerated if we don’t want a new expansion of the use of coal to aggravate even more the global warming.

A comprehensive European research and development plan should be developed in this area, especially since Europe remains a continent rich in coal; in several Member States, coal plays an important part in the combination of energy sources, and this resource is obviously cheaper than oil on the world market. It should also be noted that although hundreds of countries export coal, there is no coal cartel to be found and therefore price negotiation is possible.

Activities of coal mining and processing can contribute significantly to regional economic prosperity and to ensuring an important number of local jobs (the mining industry from the new Member States uses 212,100 of the 286,500 European workers in this sector)\(^1\). By contrast, the European experience (which includes Romania) shows that the conversion of the coal sector has significant economic effects in regions with few possibilities to diversify economic activities and to create jobs.

There still remains a very delicate issue, that of how the coal is extracted. The difficult conditions are well known and sometimes the job of a miner is dangerous. Therefore, special attention will be given to working conditions, to the safety and health at work in this field. Compared with other industries, the mining industry faces specific problems related to the location of the reserves and to the mobility of the mining activity implied by the process of extracting raw materials.

Balancing all the advantages and disadvantages derived from the continuous use of coal as an important raw material in the mix of resources necessary to cover the demand of European energy, we get to the conclusion that coal will remain a safety factor in the future of energy supplies, and due to its availability, to the negotiable price and to the implementation of technologies that reduce greenhouse gas emissions, the dependence on oil and gas imports from third parties is limited, although the liberalization of energy and gas markets will bring lower and more transparent prices compared to other competing resources, oil and gas\(^2\).

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\(^2\) The voices of specialists argue that although the liberalization of energy markets would reduce prices of these resources, without the need to promote viable alternatives to oil and gas, their price might not register notable changes (or even increase) due to increasing the global demand for these resources, but also due to their limited nature which is becoming more acute as we continue their exploitation.
4. CONCLUSIONS

European energy strategies have so far been the subject of economic imperatives and / or sustainable development:

- the will to liberalize the energy market through directives and policies regarding network industries;
- the policy to encourage energetic efficiency;
- the policy of promoting and developing renewable energy;
- the fight against CO2 emissions, etc.

Due to the fact that, in a sense, the EU has not had until now, competence in the energy field, it has tackled the issue in a rather indirect manner, using particular rules applicable to the internal market, to competition and the environment.

First, it wanted to use the market mechanisms to create a competitive market that would be more effective and would result in an interconnected market due to trans-European energy networks. Despite the small steps taken over a quite long period, today's progress in creating an efficient and competitive common European energy market is significant even if the process is estimated to be far from finality.

Energy and gas market liberalization is an example of the EU’s efforts towards promoting the interests and welfare of citizens within this area. Ensuring lower and more transparent energy prices, more rights for consumers, protection against the precariousness of energy supply is precarious arguments redoubtable in dedicated approach liberalization of energy markets in all EU countries.

A competitive and efficient European electricity and gas market requires a completely liberalized market, characterized by transparency and stronger competition, which can help eliminate discrimination against users by increasing their freedom in the choice between different energy sources and different suppliers, thus providing them access to cheaper energy sources.

Be they natural or legal persons, the liberalization of European energy markets offers real choices to them as well as new business opportunities and more intense cross-border trade, in order to guarantee progress in terms of efficiency, competitive prices and the improvement of service quality and to contribute to the security of supply and to sustainability. Affordable energy, with all its social and cultural achievements is an indispensable driving force for the industrial society and modern services.

With all the transformations of the place occupied in the complex set of resources to produce energy at European level, effect of energy and gas market liberalization and, in this respect - according to the opinions of specialists - lower commodity prices, namely oil and natural gas, competing with coal prices, it is estimated that the latter will not change positions and it shall still remain very important in terms of quantity due to the great number of trump cards owned:

- it has the largest and most widespread deposits in the world;
- it is financially convenient as compared to oil prices;
- it limits the dependence on imported oil and gas from countries outside the Union, etc.
Its main disadvantage is represented by the high level of greenhouse gas emissions which produce climate changes. It appears that the Union has found solutions which have registered significant progress so far, represented by the “clean coal” technologies.

REFERENCES: