

Coal Dinosaurs on Life Support

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Executive summary

After examining the harmful effects that extracting and burning coal have on human health and the environment, Greenpeace Bulgaria has drawn attention to the support that the coal sector receives. The focus of this report is the direct and indirect ways the state supports, keeps and prolongs the existence of a sector that belongs to the past.

The first two reports of Greenpeace Bulgaria (“The Suffocating Grip of Coal” and „Water for Life or Water for Coal”) have demonstrated that coal and its burning to produce electricity are among the main air and environmental polluters. Bulgaria produces 40% of its electricity from coal which makes it dependent on this relatively cheap but low-quality domestic resource. At the same time Bulgaria takes the leading places in air pollution with fine particulate matter one of main sources of which is coal-fired power plants.

Health and environmental damages caused by the coal sector have enormous price tag for the society but remain ignored by the state. 2013 data from HEAL (Health and Environment Alliance) shows that as a direct result from the air pollution (with fine particulate matter, heavy metals) every year more than 920 Bulgarians suffer from chronic bronchitis, 600 get hospitalized due to respiratory or cardiovascular symptoms, and 2000 die due to air pollution. Based on information from the same report, the cost of health due to the pollution from just once source – coal-fired power plants in the country amounts to 4.6 billion euros per year.¹

The state provides legal, administrative and economical breaks and support to the coal sector that allow for it to stay competitive given the current market conditions. The state loses millions of leva every year from uncollected concession payments, not imposing excise duty for domestic coal use, long-term purchase power agreements for electrify from coal-fired power plants. At the same time it provides free CO₂ allowances to the coal power plants, facilitates the land seizure for coal extraction and allows coal companies to delay payments to the social security system. For example:

- The uncollected coal mine concession payments are over **BGN 19.5 million** for the period 2013 – 2014;
- The state has undergone more than **BGN 4 million** in revenue from not imposing excise duty on domestic coal use for the period 2009 – 2012;
- Based on estimation from the State Water and Electricity Regulatory Commission, for the current regulatory period (2014 – 2015) the total cost of purchased but not used electricity from the American –owned TPPs „AES Maritsa East 1” and „ContourGlobal Maritsa East 3” will be **BGN 274.4 million**;
- The grant financing that the state-owned „Mines Maritsa East” have received from International Fund „Kozloduy” totals **EUR 30 million**;

¹ http://www.env-health.org/IMG/pdf/heal_report_the_unpaid_health_bill_how_coal_power_plants_make_us_sick_final.pdf

- „Vagledobiv Bobov dol“ – a coal mining company, has gotten 7-year deferral to pay its debt of **BGN 41 million** to the state social security system;
- The state has allocated **BGN 37 million** for re-cultivation and restoration of the environment following the decommissioning of 8 state-owned coal mines during the period 2007 – 2010;
- For the Third Period of the EU Emissions Trading Scheme (EU ETS) from 2013 to 2020, the companies from sector „Energy“ will receive free CO₂ allowances in total value of **EUR 945 million**.

These are just few examples of the cases when the state directly or indirectly has provided life support to a sector that has played its vital role to the development of the energy system in Bulgaria but now is deemed obsolete.

Dinosaurs have long since disappeared opening the way to evolution. In this report we examine a short list of the direct and indirect support that the coal dinosaurs receive today in Bulgaria. This must stop. Greenpeace Bulgaria calls for state policies that will bring the energy sector out of the dark ages of the fossil fuels and brings it closer to the real, available and accessible innovative energy solutions that the current 21st century offers.



Key messages and recommendations

This report shows that the coal sector is being treated with privileges and directly and indirectly supported by the state despite **its harmful effects on human health and the environment**. Different types of legal, economic and administrative support help this obsolete energy dinosaur to exist in a period when real and health- and environment-friendly alternative solutions are available.

This coal legacy does not help Bulgaria modernize and retrofit its energy system and take advantage of the decentralized and green energy production that RES installations offer. Just on the contrary, these coal dinosaurs require huge sums for their maintenance – funds that could be given to sectors with greater social impact such as public health, education and the environment.

Greenpeace Bulgaria has done a brief overview of a small (non-exhaustive) set of the various direct and indirect support that the coal sector in Bulgaria receives. Long-term purchase power agreements for electricity from coal-fired power plants, not imposing excise duty for domestic coal use, deferral of payments to the state social security system, inability to collect delayed concession payments, providing free CO₂ allowances to the coal power plants are few of the tools the state uses to provide life support to this obsolete sector. It has become clear that without state support and assistance this sector would not be competitive. With the advance of new high-tech innovations the coal-fired power plants are becoming an artefact of the old times that has played its economical role. Common arguments that the coal industry is necessary to ensure the energy security and independence of Bulgaria, are a legacy from ancient, non-progressive thinking limited by the lack of long-term vision for development of the energy sector, the economy and the country as a whole.

The lack of transparency and clarity in the energy sector makes it difficult to quantify the amount of direct and indirect support provided in the past 25 years. However, the information in this report sheds a light on little-known facts and amounts that has given access to the much needed life-support systems for the coal dinosaurs.

Greenpeace Bulgaria believes it is high time Bulgaria adopted a vision geared towards protection of public health and the environment. To achieve this it is necessary to achieve:

- **Legislative changes that will remove existing alleviations to the companies in the coal sector;**
- **Market liberalization that will allow modernization of the sector;**
- **Termination of the institutional support to the coal sector through a variety of tools – deferral of delayed payments to the social security system, awarding grant financing from Fund „Kozloduy“, giving free CO₂ allowances.**

Future energy policies should be focused on policies that drive the sector towards **low-carbon energy production and promote the development of micro (up to 30 kW) renewable energy installations on household, small business and municipality level**. Bulgarian people and economy deserve a more secure, independent and accessible energy system that will improve the social, economic and environmental climate in the country.