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Item 5: Demand, supply and prospects for coal in the UNECE region

Country report Germany

1. Primary energy consumption in Germany

In Germany primary energy consumption in 2003 will reach some 489 mtce according to first preliminary calculations, which would correspond to last year's level. The main factors influencing consumption were the clearly lower temperatures in the first quarter of this year and the generally weaker economy.

Whilst the consumption of lignite (- 1.8 %), mineral oil (- 2.6 %) and nuclear (- 0.7 %) decreased, natural gas and coal consumption increased by 3.6 and 3.4 % respectively. Consumption of hydro and wind energy was more or less stable.

2. The German lignite market in 2003

German lignite production is forecast to total some 179.6 mt in 2003, about 2.1 mt or 1.2 % less than in 2002 (181.8 mt). The bulk of production (98.7 mt) will again come from the Rhenish area followed by the Lusatian area (57.3 mt), the Central German area (21.5 mt) and the Helmstedt district (2.0 mt).

The majority of lignite production (165.5 mt) will again be used for electricity generation. Briquette production is expected to reach 1.3 mt, some 3.2 mt will be used as feedstock for fluidized-bed systems.

At the end of this year the lignite industry will employ 25,570 people, some 1.250 people or 4.7 % less than in 2002. This figure includes the staff of the company-owned lignite-fired power stations.

3. The German coal market in 2003

Germany's coal consumption in 2003 is expected to reach 66.5 mtce, 2 mt more than last year. This can be explained by a clearly increased consumption in the electricity generating industry.

In line with the reduction of the financial ceiling available for German coal agreed in 1997 total sales of German coal and coke in 2003 are estimated to reach 28.2 mtce or 0.4 mtce less than in 2002. Whilst sales to the electricity generating industry increased consumption in the other sectors decreased.

Compared with 2002 the energy supply structure developed to the benefit of both domestic and imported coal used for electricity generation. The electricity generating industry will purchase some 21 mtce of German coal, 0.2 mt more than last year.

In the steel industry coal consumption has been declining slightly as from the middle of this year as a result of the weaker economy. Sales to the German steel industry will decrease by 0.4 mt to 6.8 mt. Sales into the German and foreign heat markets will continue to decrease.

The output of the 10 collieries in operation this year will again reach last year's level with 25.6 mt saleable or 26.3 mtce.

As in 2002 the last remaining industry-owned coke oven plant will produce some 2.0 mt of coke.

Coal and coke stocks will be reduced by 0.3 to 4.7 mtce.

At the end of this year the number of people employed will decrease by some 3,200 to 45,500. This figure includes staff working short time or participating in qualification measures. Without this staff the number of employees will reach some 41,800 or 2,700 less than last year.

Underground OMS in 2003 will remain slightly below last year's result and reach some 6,520 kg saleable.

3. Current coal and energy policy issues

The coal agreement of March 1997, which runs until 2005, will continue to be implemented in full by all parties. This agreement was meanwhile fully approved by the European Commission and after the expiry of the ECSC Treaty was also substantiated by Council Regulation 1407/2002 on State aid to the coal industry, which is in full compliance with the EU subsidy regime.

For the time after 2005 a policy arrangement on a follow-up regime was reached in July 2003 under the aegis of the German Chancellor. Following extensive discussions involving the Prime Minister of North Rhine-Westphalia, representatives of the coal industry and the miners' trade union, it was agreed to maintain a long-term core mining industry. This agreement provides for national coal production to be downsized further from 26 mt in 2005 to 16 mt by 2012.

For the German coal industry the follow-up regime signifies a further reduction in capacity of almost 40 % by 2012. The industry's workforce, which according to plan is to be cut from the present 42,000 to 36,000 by the end of 2005, is to be downsized further between 2006 and 2012 as part of this ongoing restructuring process to reach a total of 20.000 people. It is the declared intention of all parties involved that this adaptation process will be undertaken in a socially acceptable manner.

Aid to the coal industry, which is already to be cut in half between 1997 and 2005, is to undergo further reductions as well. Operating aid will be reduced in line with the downsizing of production capacity. Aid granted to cover inherited liabilities has nothing to do with the operational side of the coal industry and cannot be ascribed to current coal mining operations. Likewise this applies to aid that is provided as part of the ordered and socially acceptable process of colliery closures.

According to the regime a core capacity for indigenous coal production will be in place by the year 2012 that will ensure access to the main German coal deposits and in this way constitute the country's future coal base. This arrangement is in keeping with the EU regulation on state aid currently in effect until 2010. Indeed the EU has also recognized the need for a national energy base incorporating indigenous coal for reasons of energy supply security. It signifies the specific justification for the granting of state aid to the coal industry.

In addition to the closure of two collieries in 2006 and 2007, which was decided in September 2003, additional measures will be required under the regime until 2012. The necessary decisions for this will be taken in due course in 2004.

On 11 November 2003 the German Chancellor announced that some 17 billion € of aid will be available to the German coal industry between 2006 and 2012. Aid to be granted by the national and Laender governments will decreased from 2.7 billion € in 2005 to 1.83 billion € in 2012. Also RAG will have to make a contribution totalling 1.13 billion € in the period 2006 to 2012.