Greece's energy future on the line

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Mantzaris: "The low electricity production costs and the jobs in the lignite industry made governments look the other way when it came to the devastating effects lignite exploitation had on public health and the environment." [Shutterstock]

Lignite has been the driving force of the Greek economy for the last six decades and the government intends to keep it that way, even though this most polluting of fuels is now becoming uncompetitive, writes Nikos Mantzaris.

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The low electricity production costs and the jobs in the lignite industry made governments look the other way when it came to the devastating effects lignite exploitation had on public health and the environment.

However, changes in global climate policy and especially in the European environmental legislation, as well as the progress in renewables and energy storage technologies have rendered lignite non-competitive, even from a purely economic point of view.

Yet, the Public Power Corporation (PPC), and the Greek government insist on keeping Greece dependent on the planet's most polluting fuel. As the deadline for investors to submit binding offers for 40% of PPC's lignite assets is approaching, they are both turning all tables with the purpose of making the package more attractive.

Even the country's freshly announced energy plan for 2030 fell victim to the same purpose. Despite the dismal economics of lignite, the Greek government is proposing to keep lignite alive well beyond 2030, while holding the deployment of renewables below its true potential.

This choice will be costly, however. According to the conservative assumptions on the evolution of the CO2 prices made in Greece's draft energy plan, the proposed 17% lignite share in 2030 will lead to €360 million expenses 12 years from now and probably close to €5 billion for the entire period until 2030. Who will pay the price?

The Greek government is planning on sending this heavy CO2 bill to the Greek citizens. The Greek lignite industry is not exempted from paying for CO2 since it failed in its stubborn 3-year-long quest to obtain free emission allowances from the ETS, estimated to worth €2,5-3 billion.

Hence, the Greek government is planning on imposing a CO2 levy in all electricity bills in order to alleviate some of the lignite industry's losses and, in the process, stimulate the interest of potential investors.

The measure clearly contradicts the ETS directive, which aims at reducing greenhouse gas emissions by forcing power companies to pay themselves for every tonne of CO2 their plants emit, instead of sending the bill to the households.

Furthermore, following Poland's lead, Greece has become one of the most avid supporters of further subsidizing coal through allowing the participation of coal power plants in capacity mechanisms, which are supposedly intended to ensure supply in case extra power is needed.

So far, they have cost almost €58 billion to EU citizens, 66% of which ended up supporting coal. The decision makers participating in the ongoing crucial trilogue negotiations on electricity market rules should not give a green light to another lifeline for coal.

The companies insisting on such polluting, unnecessary and economically non-viable power plants like Ostroleka C in Poland or Ptolemaida V in Greece should pay in full for their choices.

To make the lignite sale more attractive, the Greek government is also planning on hitting the renewables industry too. It plans on eliminating the supplier's levy and the tax of 2€ per MWh of electricity produced by lignite, which, to date, have both been contributing to the special account used to pay electricity producers from renewables.

On top of everything else, the Greek government is actively pushing for the construction of yet another new lignite plant (Meliti II), while it is also stubbornly trying to persuade the European Commission to bend the law in order to extend the operating hours, of two of the most polluting lignite plants in Europe (Kardia and Amynteo).

Greece's frantic route to the brink of economic and environmental disaster is not only PPC's and the Greek government's fault. It is also a side effect of EU's monumentally wrong decision to impose the sale of 40% of PPC's lignite assets. Supposedly, allowing other companies besides PPC to exploit Greece's lignite deposits, would improve competition in Greece's electricity market.

But how can one improve competition with a fuel that is irreversibly non-competitive, let alone unsustainable?

The Greek citizens should not have to pay for PPC's and the Greek government's horrible decisions, which defied logic and attempted to sustain an unsustainable industry which harms public health, the environment and the economy.

Instead, the EU Institutions should immediately remove the stranglehold placed on Greece's energy future with the sale of 40% of PPC's lignite assets and aid the Greek government in developing a long-term energy plan, which will phase out lignite by the early 2030s and will be based on Greece's true energy assets: its sun and its wind.