

Comments on page 2

The Path of Least Resistance
How electricity generated from coal
is leaking into the EU

- EU countries are increasingly importing 'tax-free electricity' from outside the EU.
- 'Offshore carbon havens' such as Morocco, Ukraine and Turkey are building coal plants to supply power to the EU.
- The solution is to apply a carbon price on electricity imports - also known as a border carbon adjustment (BCA).

Our new report investigates how coal power plants just outside European borders are supplying electricity to the EU while avoiding the carbon price. The key findings are:

1. **Countries in the EU ETS are increasingly importing electricity.** Net imports were up from 3TWh in 2017 to 21TWh in 2019. All the imports are from countries that have zero or near-zero carbon pricing.
2. **Imported electricity emitted an estimated 26 million tonnes of CO2 in 2019** - more than the annual emissions of Italy's coal fleet, the EU's 6th largest. Generating the same volume of electricity in the importing EU member states would have emitted 11 million tonnes less, as their power grids are lower carbon on average.
3. Gross electricity imports in 2019 were worth €1.6bn. **Had imports paid the EU ETS carbon price, this would have generated revenue of €630m.**
4. **Plans exist to increase interconnection capacity between EU and non-EU countries by 36%**, further exposing EU power markets to imports. 13% of this expansion is with the Western Balkans, home to Europe's most polluting power stations.
5. **New coal power (up to 57GW) is being planned or constructed in countries connected, or soon to be connected to EU power grids.** This would mean a 53% increase in coal capacity in connected countries as a whole. Most is planned in Turkey (34GW), Egypt (11GW), Bosnia & Herzegovina (4GW), and Serbia (2GW).
6. **By 2025, five additional non-EU countries - Egypt, Tunisia, Libya, Israel, and Moldova - could be connected with EU member states.** None of these have a carbon price.

The key EU countries most exposed to coal-power imports are Greece, Finland, Spain, Croatia and Romania.

Read the report here: <https://sandbaq.org.uk/project/interconnectors-and-coal>

Comments on next page

Dr Chris Rosslowe, Electricity Analyst at Sandbag comments:

“European Union policy is driving a new wave of coal plant building just beyond its borders. This high-carbon power is sneaking into the EU grid. The solution isn’t too complicated though: a border tax on the carbon in this imported electricity. With this one new policy, we can spread the emissions-cutting influence of the EU beyond its borders, and help neighbouring countries build clean energy faster.”

Henning Häder, Energy Policy, Climate & Sustainability Manager, [Eurelectric](#) comments:

“Europe must convince other economies to accelerate on climate actions while addressing the risk of carbon leakage at EU level. In the absence of equivalent carbon pricing for importers and European industry, border adjustments can be an option, whether in the form of a tax or a special ETS participation mechanism.”

Ville Niinistö MEP and the Committee on Industry, Research and Energy:

"In the Finnish context electricity from Russia is an issue of outsourcing emissions. We in the EU are on a clear path to a renewables based electricity system, and our neighbors should be as well. If we set up a carbon border tax for electricity, we would avoid exporting our emissions and bring our neighbors on board the shift to renewables."

Nicolás GONZÁLEZ CASARES MEP, Member of the ITRE committee:

“I believe that the integration of electricity networks and increased interconnections will improve security of supply and help facilitate the integration of renewable energies. However, mechanisms must be put in place to prevent decarbonisation efforts in the European electricity system from being compromised.

There are options for incorporating European decarbonisation requirements into electricity imported from third countries, so as to bring it into line with European conditions; from certificates of origin with third countries to encourage trade in renewables to the border adjustment mechanism itself. I am sure that these measures will also encourage decarbonisation policies in third countries, for example the promotion of renewable energy in countries like Morocco, which have a very high potential in this field”.

Bas Eickhout MEP, Vice-Chair of the European Committee on the Environment, Public Health and Food Safety, comments:

"The absence of free-allocation of EU ETS emission allowances in the energy sector makes the introduction of a border carbon adjustment for electricity entirely justified. This report shows the importance of making haste with doing so. EU climate and energy policies should work fully in the benefit of European companies that are investing in renewables and, on top of that, should simulate third countries to go down the same road. Under the current ETS-rules that is not sufficiently the

case. In some instances we even see European power utilities building coal fired power plants just outside the EU border. I expect swift political action to put an end to this situation."

Massimiliano Patierno, environmental engineer at [IIDMA](#), International Institute for law and the environment:

"From December 2018, Spain's electricity interconnections with Morocco have been almost constantly registering an import balance, which means that Spain is importing electricity that is twice as carbon-intensive as what is domestically produced. This trend has been boosted by the increase in the price of emission rights on the European market and is a clear sign of carbon leakage. The introduction of a border carbon adjustment is essential to avoid the risk of emissions being displaced rather than actually reduced. It would also further promote the deployment of clean alternatives in both countries."

Dan Dobre, Coal Campaigner for Bankwatch Romania:

"The efforts of EU member states to decarbonize their energy systems will be in vain if the power they are importing is just as dirty. In 2019, Romania was a net importer of dirty electricity for the first time in 7 years because it failed to modernize its production system. Instead, the country needs a coherent support scheme for renewables and more concrete steps to meet its huge energy efficiency potential. "

Vera Kauppinen, Campaign Coordinator, Friends of the Earth Finland:

"Despite its 2029 coal-phase out law and ambitious climate-neutrality target for 2035, Finland remains the largest importer of high-carbon electricity in the EU. Finnish electricity from outside the EU is exclusively imported from Russia, with an average carbon intensity 3x higher than Finland. Introducing a border carbon adjustment on electricity in the EU would incentivise coal phase-out and low-carbon electricity generation in neighbouring states."

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Sandbag is a not-for-profit climate & energy think tank based in London.

We turn data into climate action, to accelerate the global transition from coal to clean energy.

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