



WWF Greece
21, Lembessi str
117 43 Athens
Greece

Tel: +30 210 3314893
Fax: +30 210 3247578
d.karavellas@wwf.gr
www.wwf.gr/en

To: The representatives of the Institutions in Greece
Declan Costello, European Commission
Delia Velculescu, IMF
Francesco Drudi, European Central Bank
Nicola Giammarioli, European Stability Mechanism

Ref.: 146/2017

Athens, November 10th, 2017

We would like to express our deep concern about the obligatory sale of the 40% of the Public Power Corporation's (PPC) lignite capacity, along with the persistence on building new lignite units, both of which will have severe impacts on Greece's energy future and on the company's viability.

According to the recently signed Supplemental Memorandum of Understanding, the sale of 40% of PPC's lignite assets will benefit the competitiveness of the energy market which will, in turn, lead to lower electricity prices for end consumers. It is, therefore, implied that lignite is the cheapest source for electricity generation.

This might have been true in the past (not allowing of course for externalities). It is crucial, however, to acknowledge that this won't hold true in the future. The reform of the Emissions Trading System, aiming at drastically increasing the allowance price, will bring about a sharp increase in the operational costs of PPC's lignite units. In addition to this, complying with the recently adopted emission limit values for Large Combustion Plants contained in the new LCP BREF, will require costly retrofit measures for the highly polluting lignite units. At the same time, conventional generation technologies are already facing significant competition from both clean energy sources and energy storage alternatives.

As a result of the abovementioned developments, a recently published study on Greece's Long Term Energy Plan by the National Observatory of Athens and WWF Greece, demonstrated that electricity costs will be significantly higher if the country's lignite reliance is prolonged, contrary to the scenarios that foresee the expansion of renewable energy sources combined with ambitious energy efficiency policies¹.

Even if the economics of energy generation are the sole criterion on deciding upon the country's alternatives, Greece should aim at a swift phase-out of the world's most polluting resource, lignite.

PPC's viability, another Memorandum objective, will not be secured if the sale of lignite units goes ahead. Meliti I, the most efficient PPC lignite unit, is the only one that complies with the renewed emission limit values, and therefore requires only minor retrofits. It will take significant investments, on the other hand, to upgrade the Amynteo Thermal Power Station, in order to extend its lifetime, while the two Megalopoli units, considered to be more attractive for sale by the European Commission, are supplied by the worst lignite deposits in the EU. As a result, slight increases in the carbon prices will gravely affect the latter.

¹ WWF Greece and National Observatory of Athens. (2017, October). "Long-Term Plan for the Greek Energy System". <http://www.wwf.gr/images/pdfs/EnergyReportFinal.pdf>

We share your concern over PPC's good financial health. PPC should primarily withdraw from the absurd, under the circumstances, project of constructing the 660MW Ptolemaida V unit. The company's CEO himself has publicly admitted to the losses this facility will have in case Greece does not receive free emission allowances, a conclusion also drawn by a previous WWF study². In the meantime the project is depriving the company of valuable resources - it will continue to do so, as long as no financial institution agrees to finance the new lignite unit. For the time being, only Euler-Hermes, a German export credit agency, is actively supporting the project by financing the German equipment manufacturer that is involved in Ptolemaida V's construction. The funds directed to Ptolemaida V can instead be invested towards the necessary retrofit projects of obsolete units and in expanding PPC's renewable energy and storage portfolio. Besides, hybrid combinations of wind, solar and hydro-pumped facilities can provide the exact amount of energy Ptolemaida V is designed to generate, and at a reduced levelised cost³.

A healthy and innovative PPC will not only benefit public health and the protection of the environment, but can also trigger viable investments aligned with the future energy reality. Changes imposed by the Memorandum will hurt PPC and at the same time perpetuate the country's dependence on polluting lignite for the next decades.

Greece should be encouraged to follow the lignite phase out route which, one after another, its EU counterparts have designated, while at the same time financially supporting the lignite regions of Greece for shifting their economies towards sustainable economic activities.

For all the above reasons we urge you to reconsider the sale of PPC's lignite assets, taking into account the energy market developments and the newly adopted EU climate policies.

We remain at your disposal for any further discussion.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Karavellas', is centered on the page. The signature is fluid and cursive, with a long horizontal stroke at the end.

Demetres Karavellas
CEO, WWF Greece

²WWF Greece. (2013, July). "Ptolemaida 5 and Meliti 2. Economic viability report of the new lignite units". http://www.wwf.gr/images/pdfs/Lignite_Study_WWFGreece.pdf

³WWF Greece. (2015, February). "Clean alternatives to Ptolemaida V". goo.gl/vbzHyB