

Coal industry restructuring in Germany

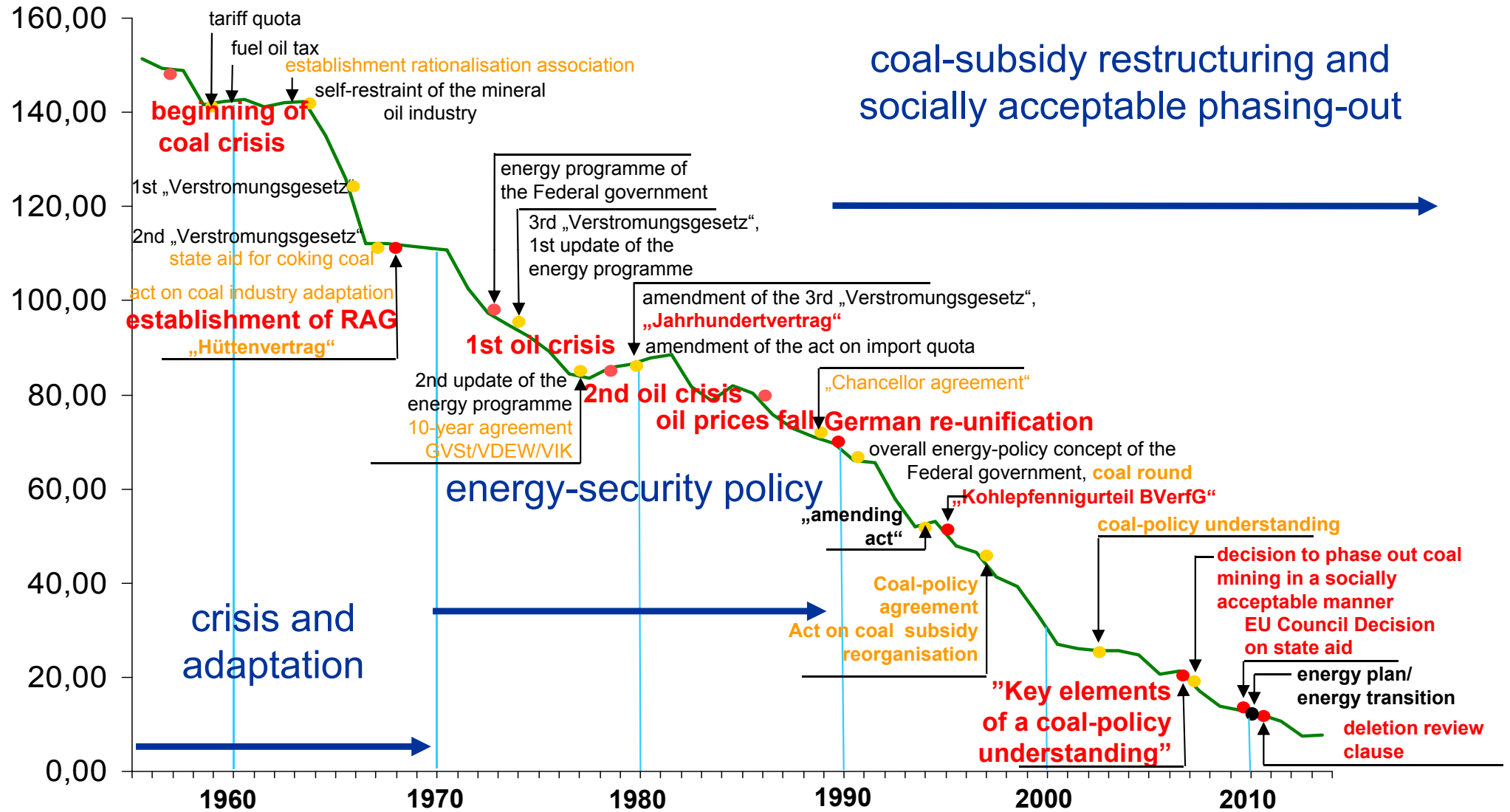
Prof. Dr. Franz-Josef Wodopia,
Chief Executive,
German Coal Association

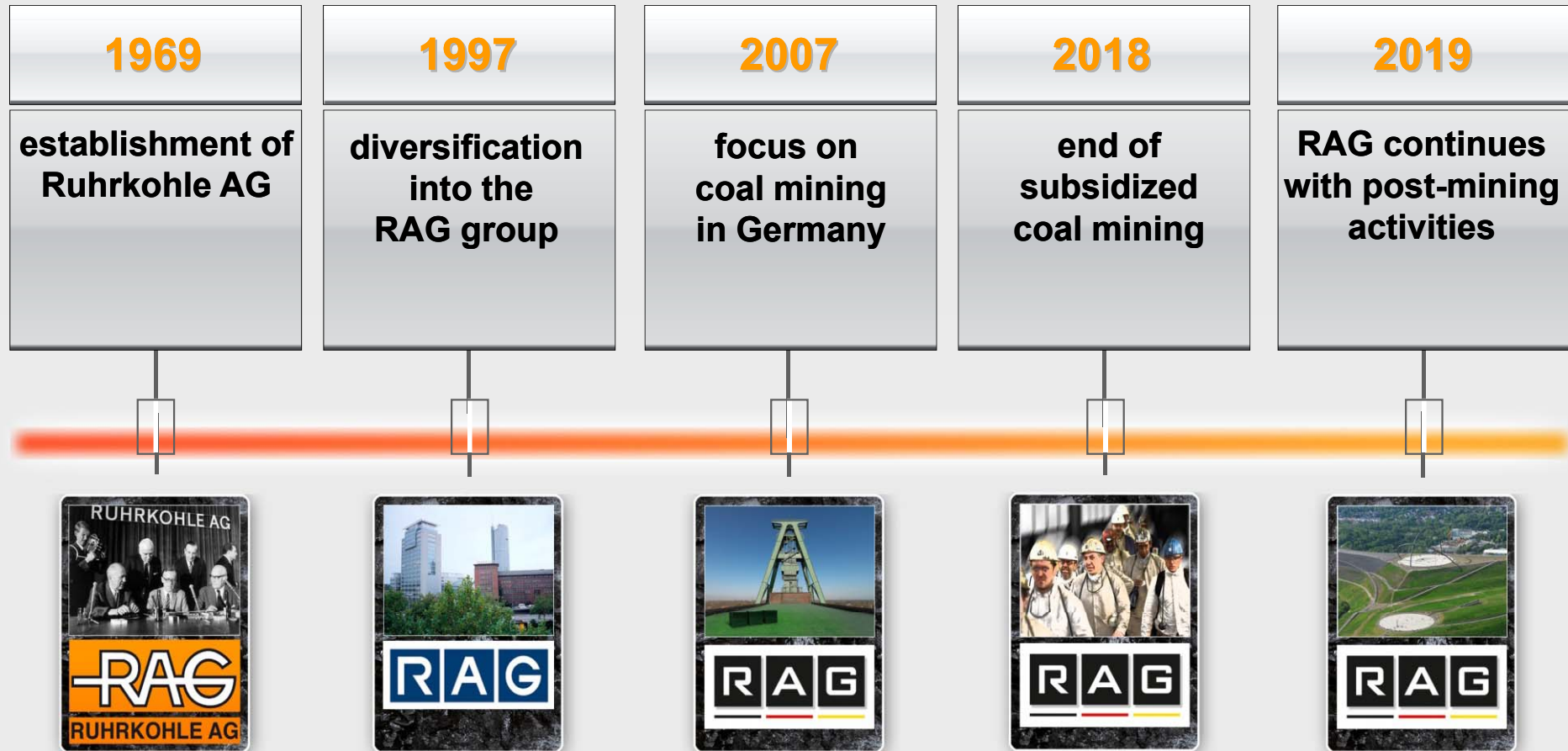
History

Coal-policy decisions in the context of (national) energy-policy programmes



coal production
mt saleable





Graph: RAG, 2015

Where did we start?



Establishment of Ruhrkohle AG in 1969: approx. 180,000 staff

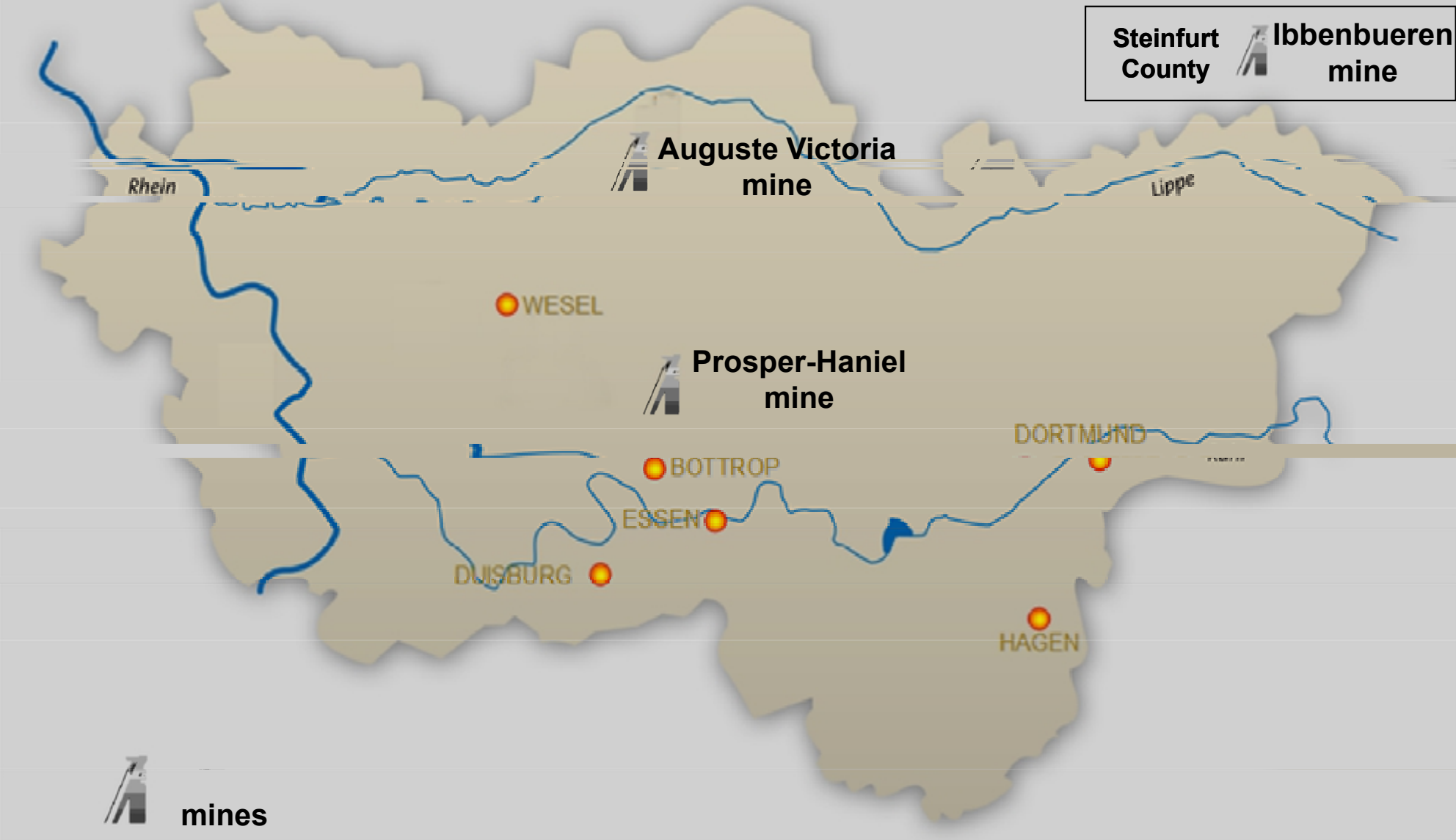


Graph: RAG, 2015

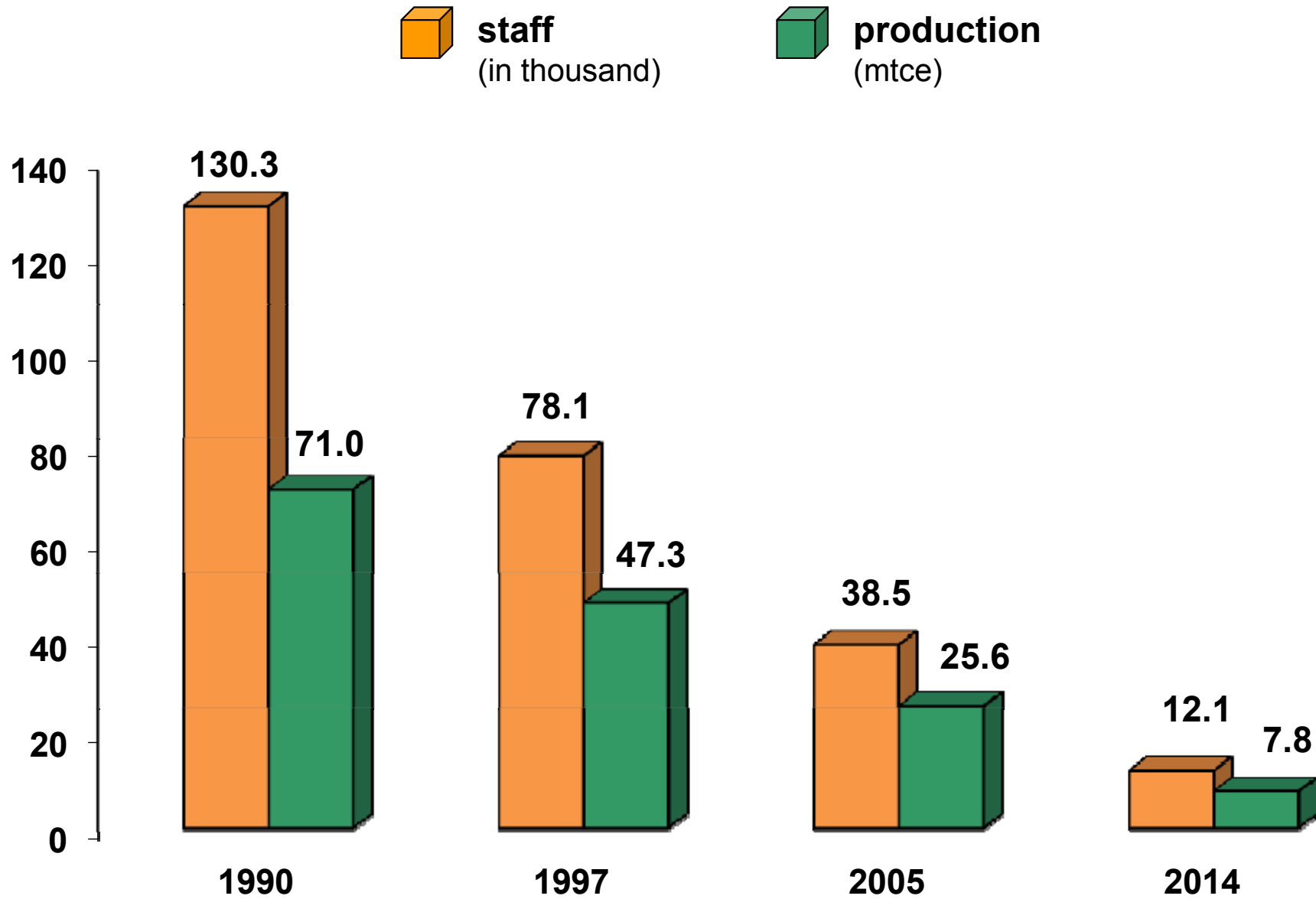
Where are we today?



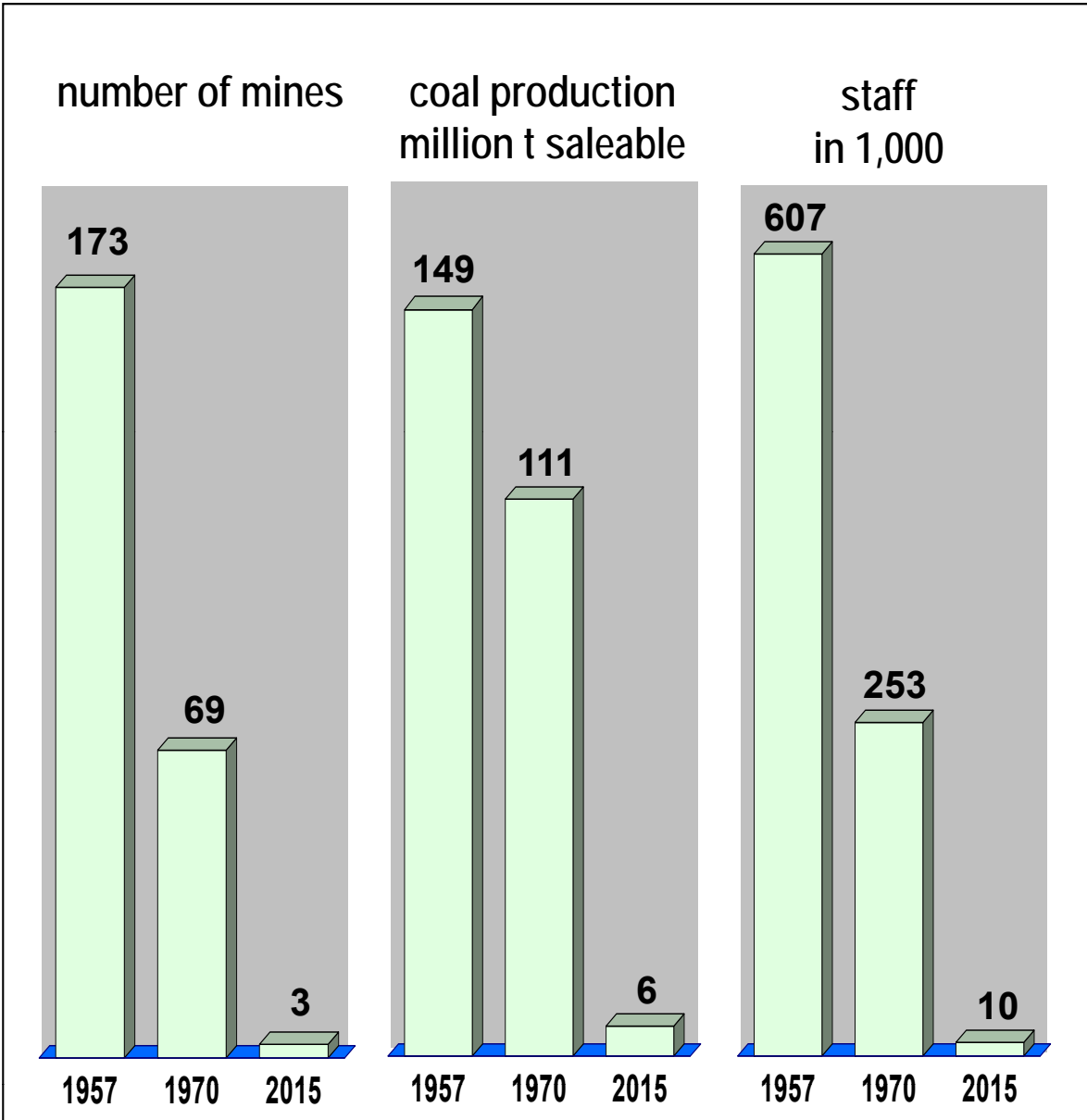
April 2015: approx. 9,500 staff



Adaptation in the German coal industry 1990 to 2014



Rationalisation in the German coal industry



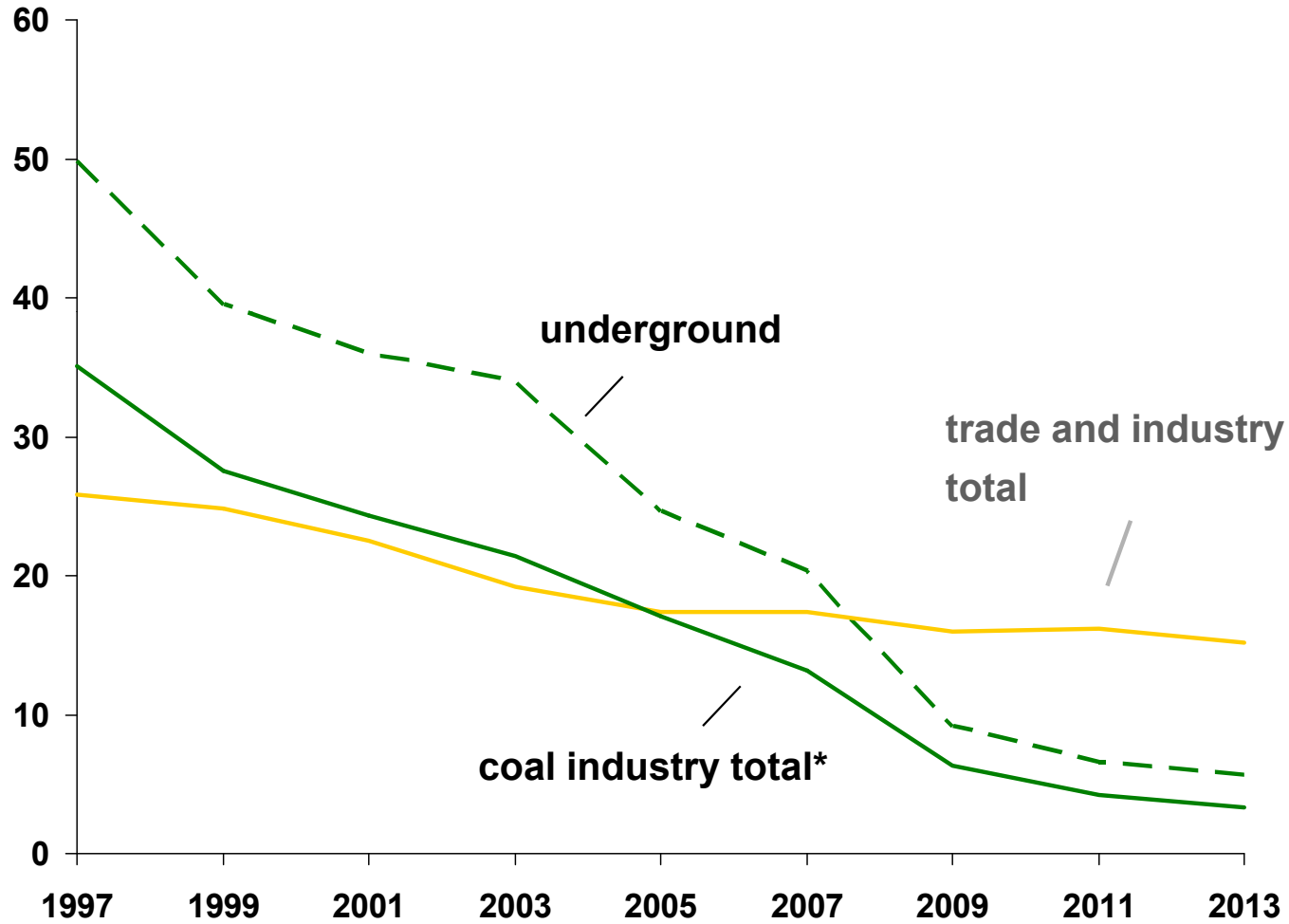
Graph: RAG, 2015

Declining accident rates as a result of integrated health and safety activities



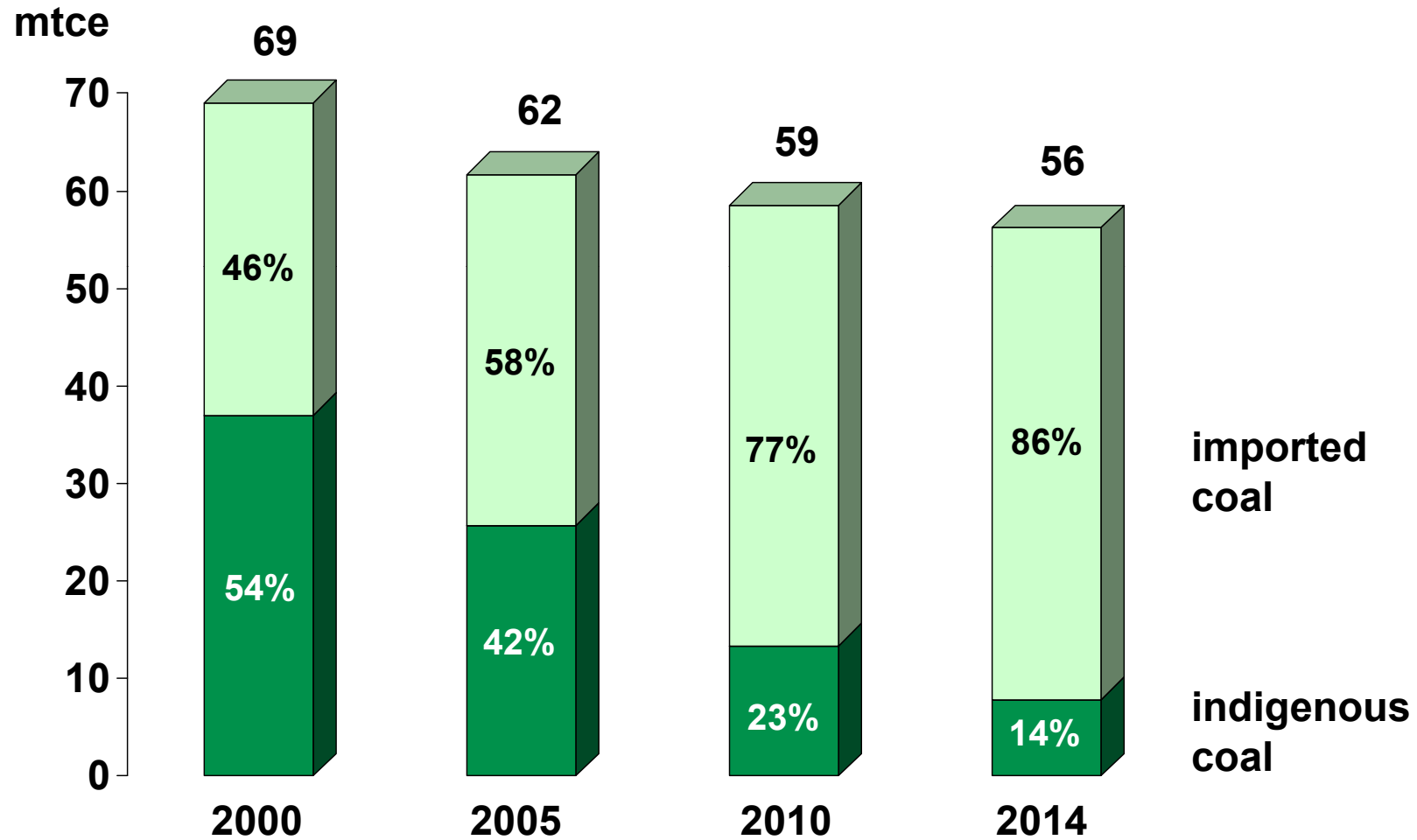
accidents

(total per million hours worked)



* only units under mining-authority supervision

German coal market: consumption of indigenous and imported coal since 2000



**Setting the scene for
socially acceptable phasing-out:
Coal-policy decisions in 2007 and
Coal Industry Financing Act**

Key points of the coal-policy understanding reached on 7 February 2007



Federal government:
Economics and
Finance ministries



socially acceptable phasing-out
of subsidized coal production in Germany
until 2018

Saarland:
Economics ministry



reduction of production
to 12 mt until 2012



mining company

long-term, reliable financing regime
(Coal Industry Financing Act)



trade union

review clause 2012
(checking need to continue mining beyond 2018)

North Rhine-Westphalia:
Economics ministry



Graph: RAG

Implementation of the coal-policy understanding reached on 7 February 2007

All parties concerned were involved in implementing the concept (graph 11), in particular RAG AG as company concerned and signatory of the understanding.

On request of the Federal government RAG produced model calculations for feasible phase-out dates (2012/2014/2016/2018), an accountancy firm produced a study on the closure costs and costs for inherited liabilities and perpetual responsibilities for the different scenarios.



Graph: DSK

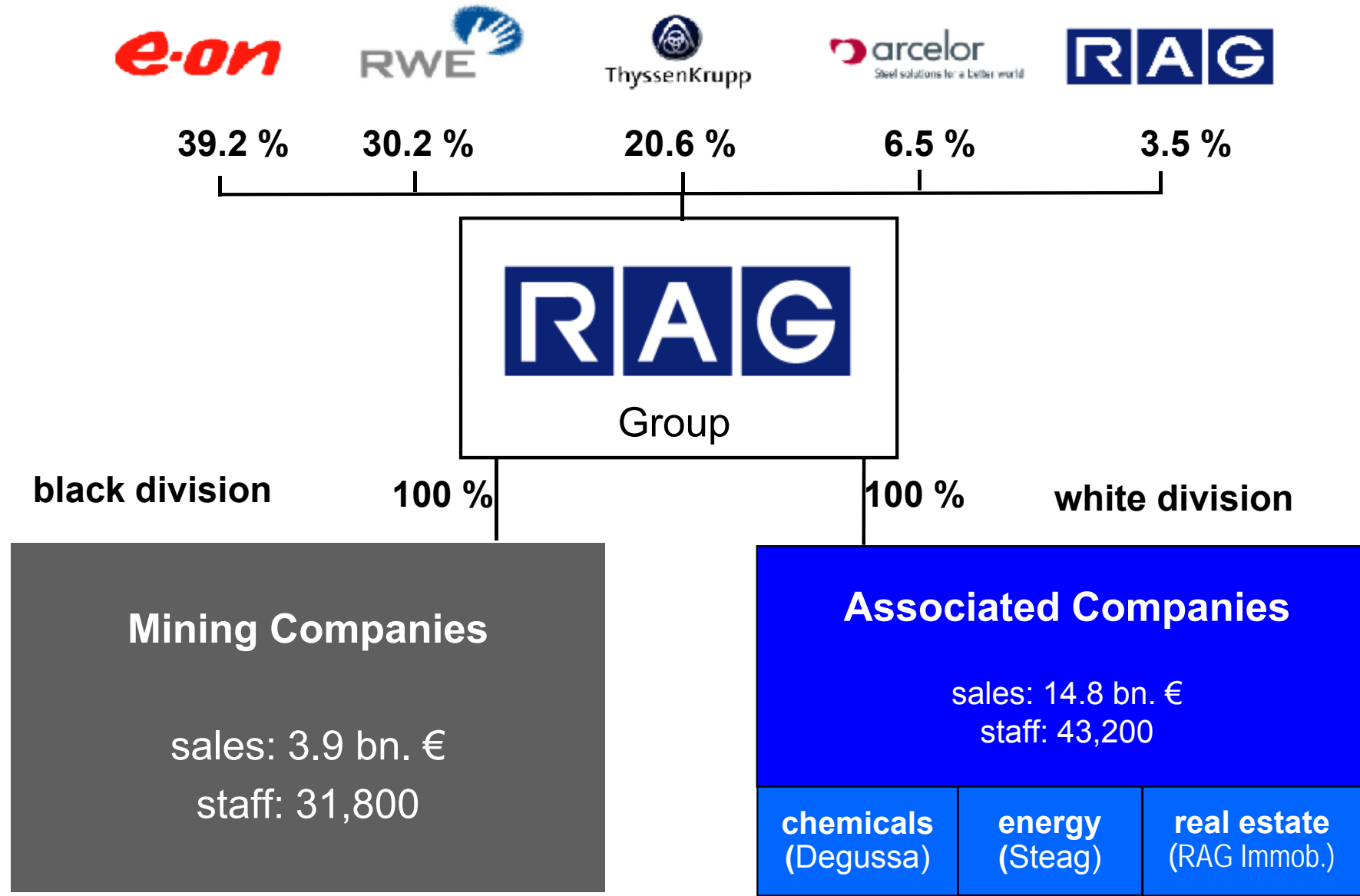
Implementation of the coal-policy understanding reached on 7 February 2007

The final phase-out date 2018 was fixed solely to ensure socially acceptable staff reduction.

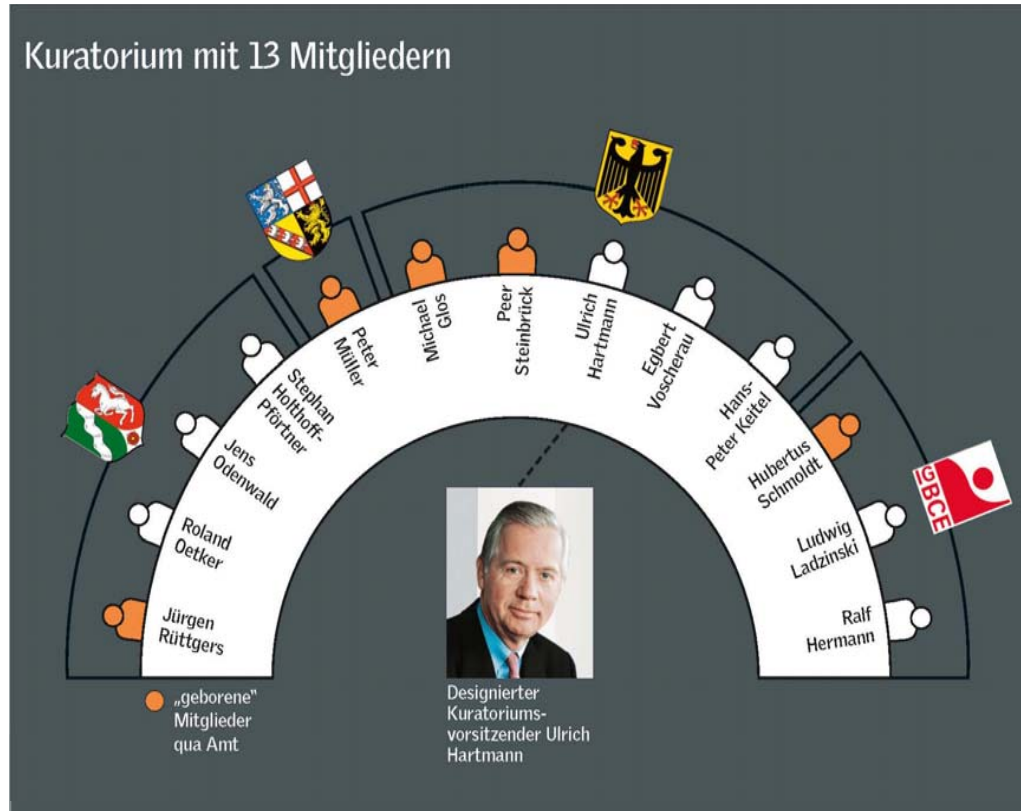


Graph: DSK

Corporate structure in 2006

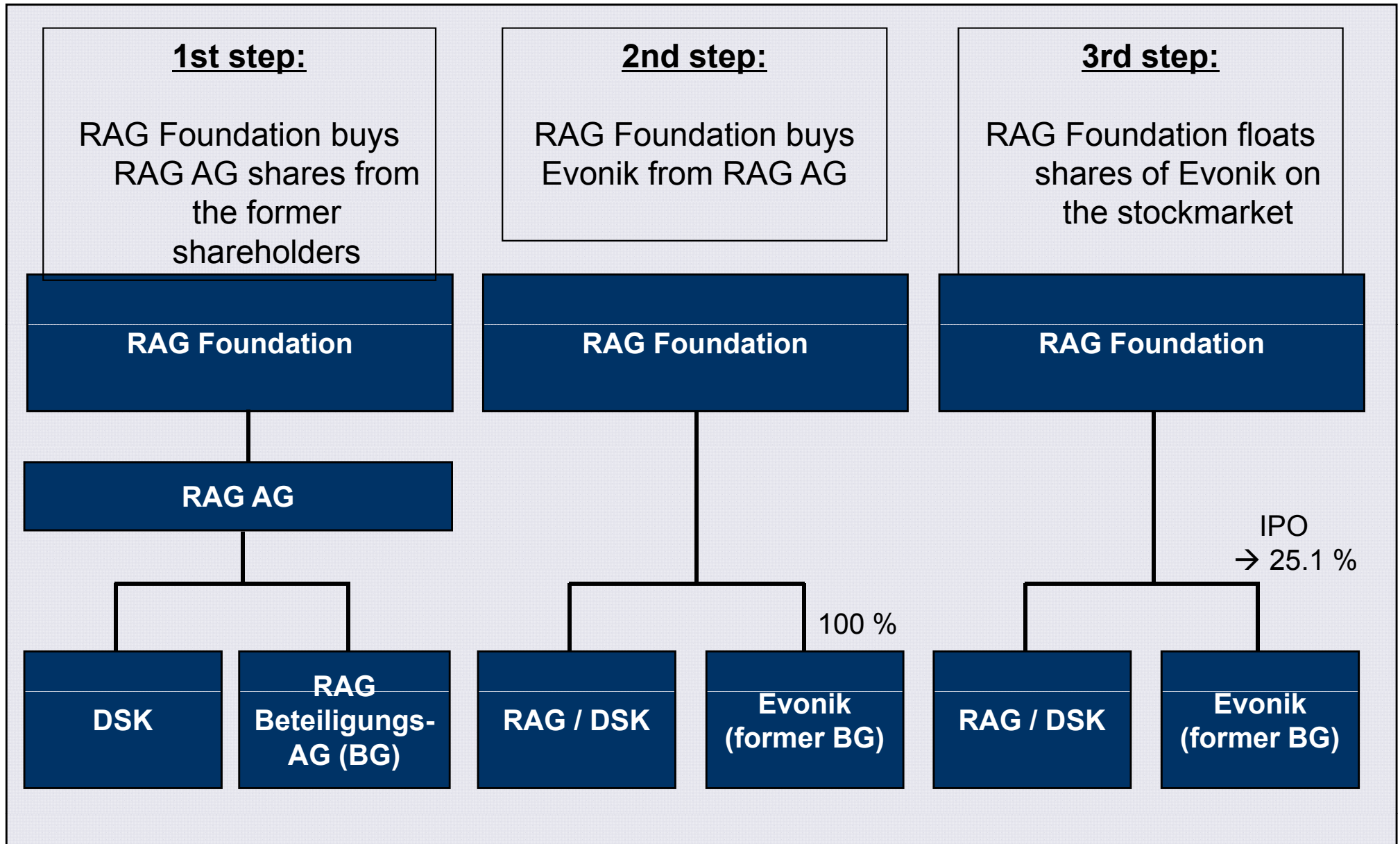


Graph: RAG, 2015



Graph: RAG

Separation into “black” and “white” divisions



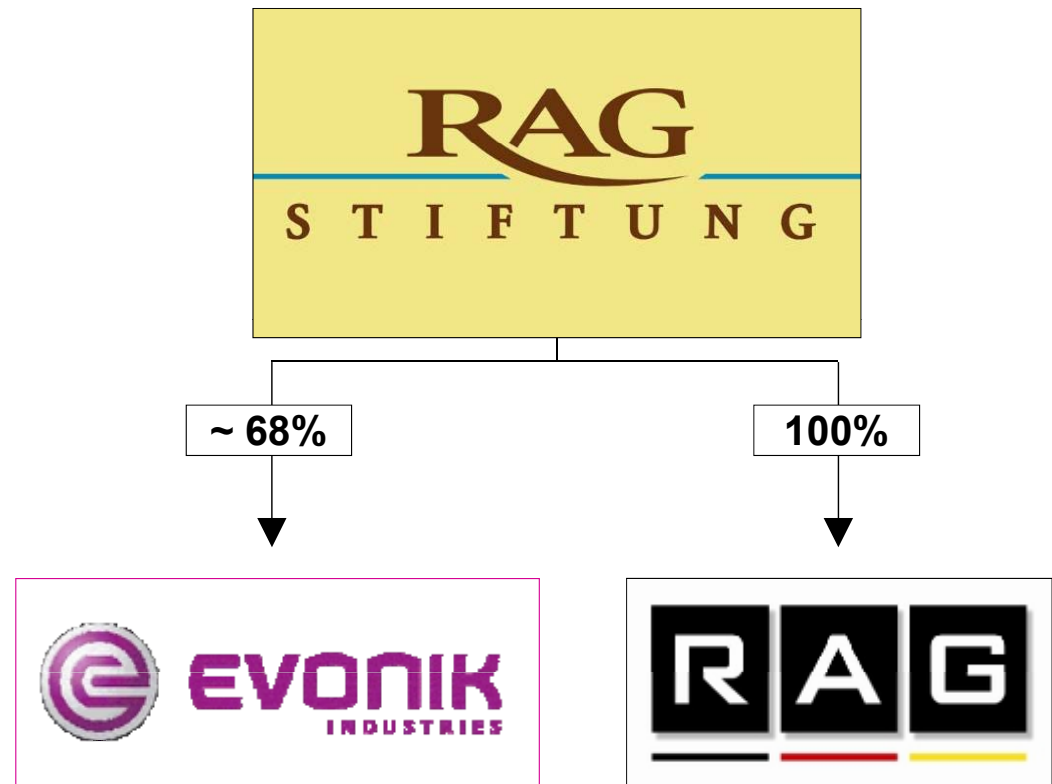
Graph: DSK

Our shareholder: the RAG Foundation



Tasks of the RAG Foundation

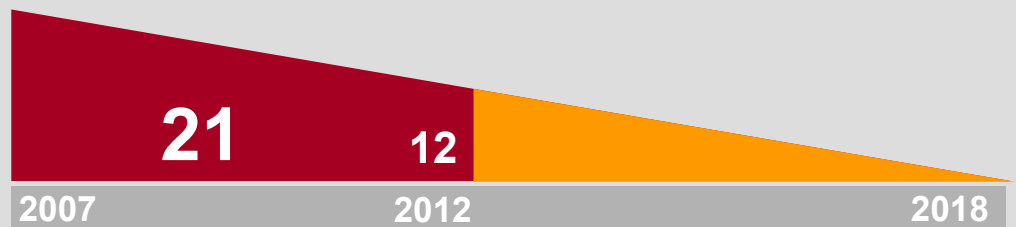
- Socially acceptable adaptation of the coal industry until the end of 2018
- Floating of EVONIK Industries AG on the capital market
- Funding of the industry's perpetual responsibilities from 2019 onwards
- Supporting education, science and culture in the mining regions



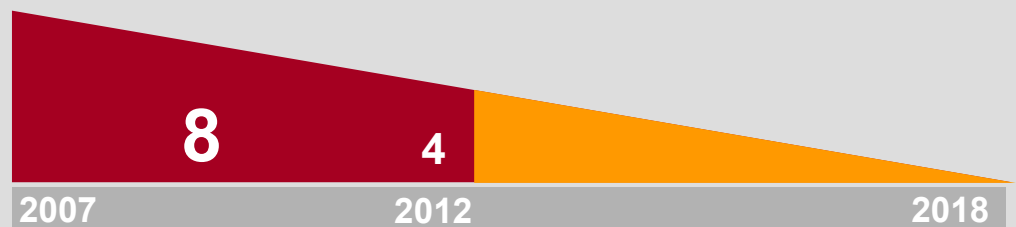
Phasing-out process = unconditional adaptation by 2012



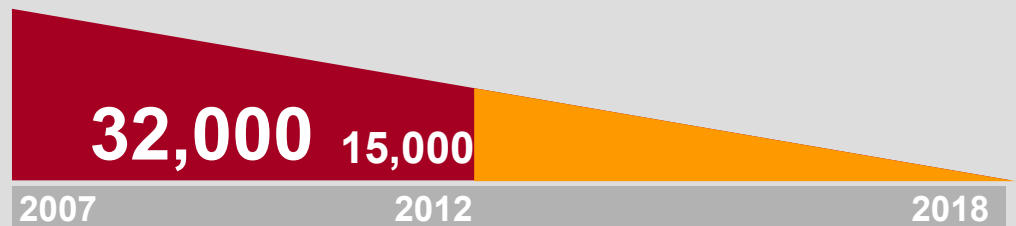
development of production capacity by 2012



development of number of mines by 2012



development of staff by 2012



**The
company
was
halved
by 2012.**

Graph: RAG

Unconditional adaptation by 2012 affects every single staff member



17,000 staff members left by 2012 – 3,000 of those taking up employment in other companies !

7,500 staff members will be relocated over the next five years !

Many staff members will work in new jobs !

Graph: RAG

LEÓN

ALIANZA EN DEFENSA DEL CARBÓN Un frente común ante la UE

España y Alemania reclaman a la UE un marco de estabilidad para el carbón

Los dos países unen fuerzas para exigir la ampliación de las ayudas al sector al menos hasta el 2018, y que no se lleven a cabo más reducciones en la producción

MARÍA JESÚS MUÑOZ | LEÓN

■ España y Alemania reclamarán de manera conjunta a la Unión Europea un nuevo reglamento de ayudas a la producción de carbón, o en todo caso la prórroga del reglamento actual, que concluye el próximo 31 de diciembre. Un marco que garantice la estabilidad del sector al menos hasta el 2018, aunque también se baraja la posibilidad de ampliar la reglamentación de las ayudas hasta el 2020 ó el 2022.

Los empresarios mineros de los dos países reclaman además que se den por concluida la reestructuración del sector: en el caso español en los márgenes que contempla actualmente el Plan del Carbón (que concluye en el 2012) y en el alemán una vez que se lleve a cabo la reducción prevista en el 2018 (que también se revisará en el 2012).

Así lo manifestaron ayer durante un encuentro celebrado en la



Franz-Josef Wodopia, Tomás Villanueva y Victorino Alonso, ayer en León. NORBERTO

Los proyectos tecnológicos garantizan el futuro del sector

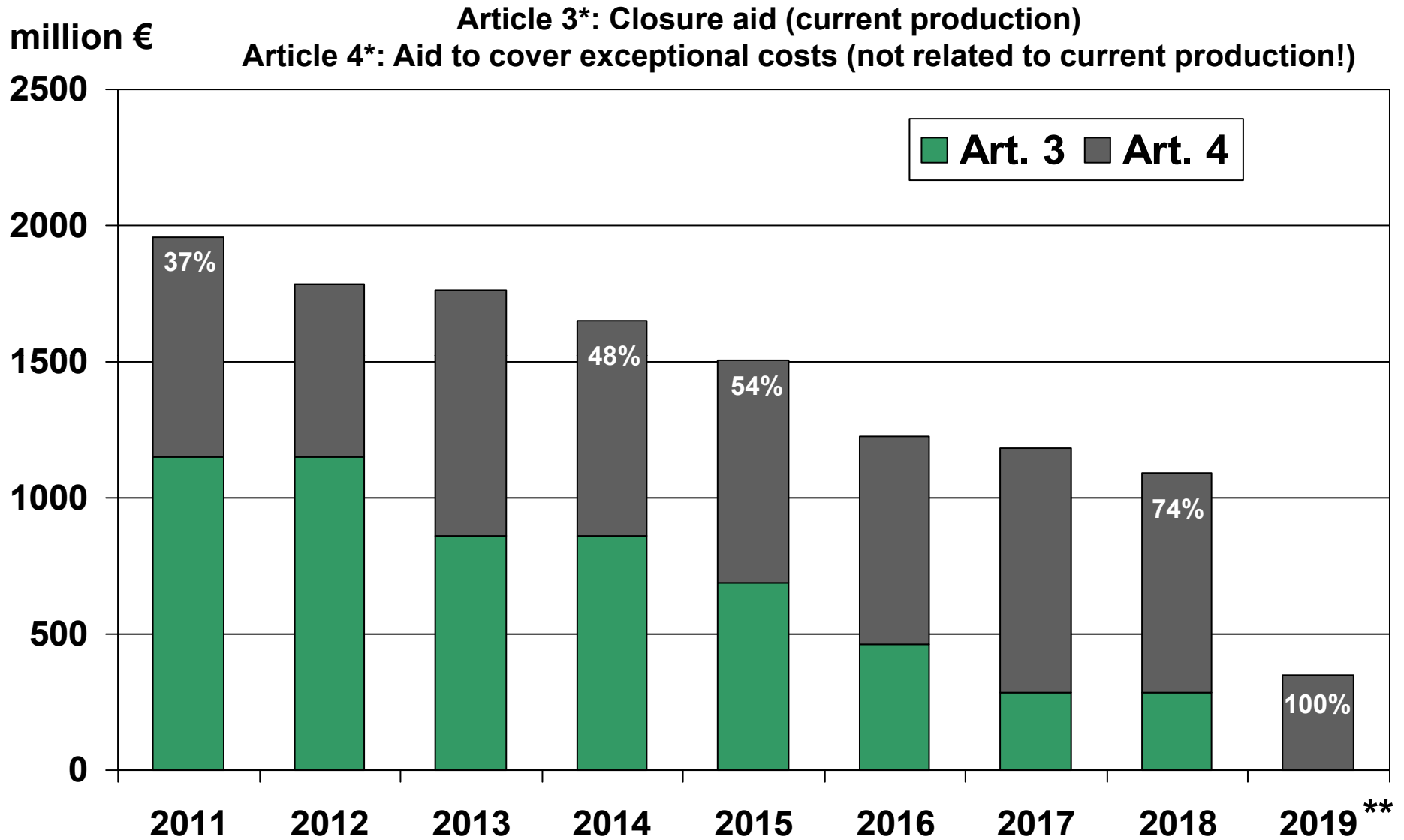
■ Tomás Villanueva destacó ayer en León que los avances que se están realizando en la generación limpia de carbón, a través de las inversiones en captura y almacenamiento de CO₂, garantiza el futuro del sector minero. «No sería razonable que se estuvieran llevando a cabo estas inversiones con el apoyo de la Unión Europea, y que a la vez no se dispusiera de un marco de ayudas, lo que llevaría al cierre del sector».

Un argumento en el que coincidió el presidente de la patronal minera alemana RAG, que recordó que en su país también se están llevando a cabo importantes inversiones con el objetivo de hacer que la combustión de carbón sea lo más medioambientalmente sostenible posible.

Los representantes administrativos y mineros coincidieron en señalar que la apuesta decidida por fomentar las tecnologías de combustión limpias y de captura de CO₂ es una señal inequívoca de la confianza en el futuro del sector, que ahora negocia su nuevo marco de ayudas.

- Notification restructuring plan 2008 – 2018
- Deletion review clause (2012) from Coal Industry Financing Act
- New Council Decision on state aid: 2010/787/EU

Approved state aid to facilitate the closure of uncompetitive coal mines according to the German closure plan



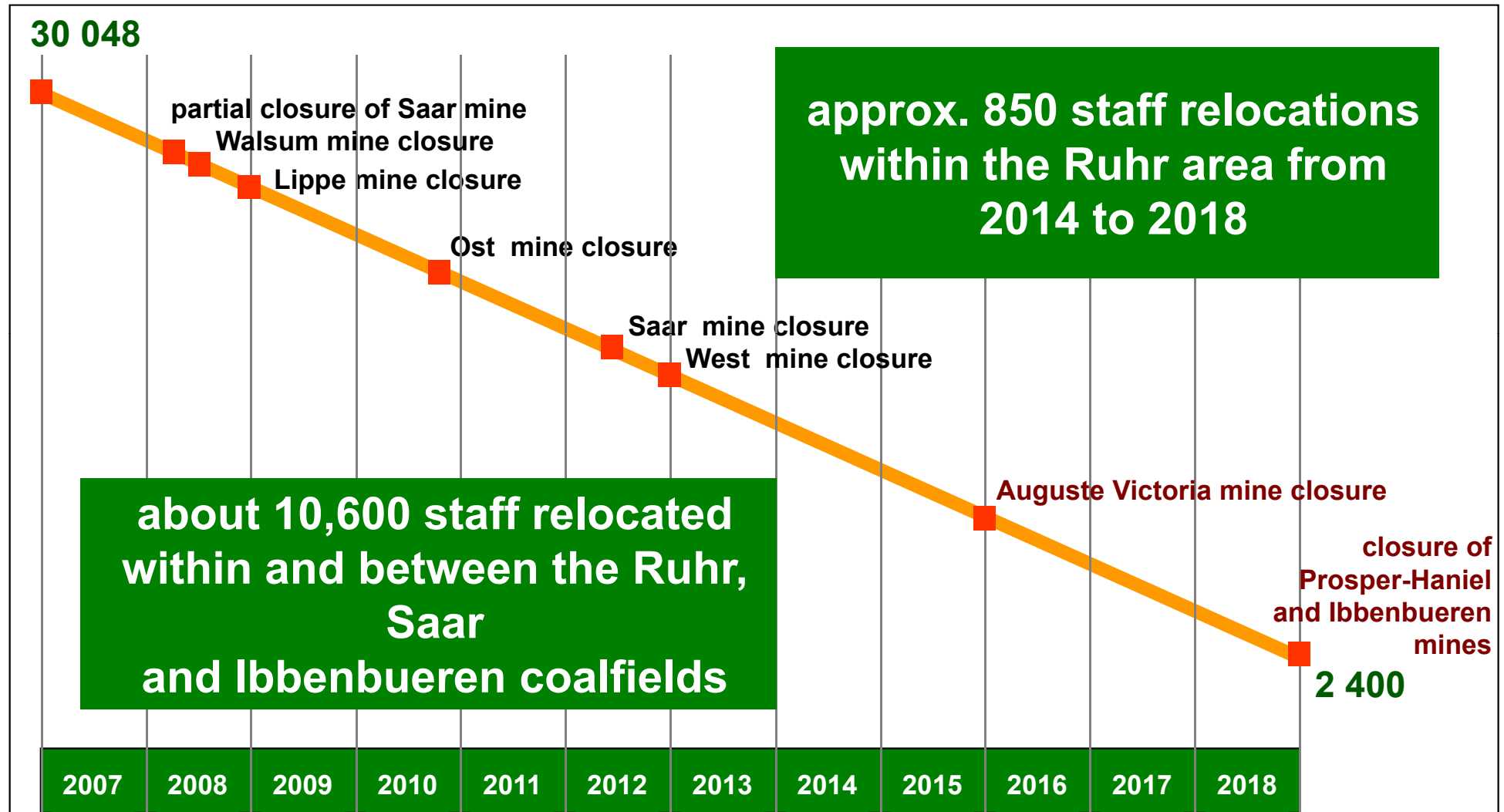
* Council Decision 2010/787/EU

** From 2019 onwards depreciations from the closure of the last mines and further costs of production units which have closed shall be distributed over several years. Therefore this figure is only an estimate of the necessary Art. 4 aid in this year.

Measures for socially acceptable staff adaptation

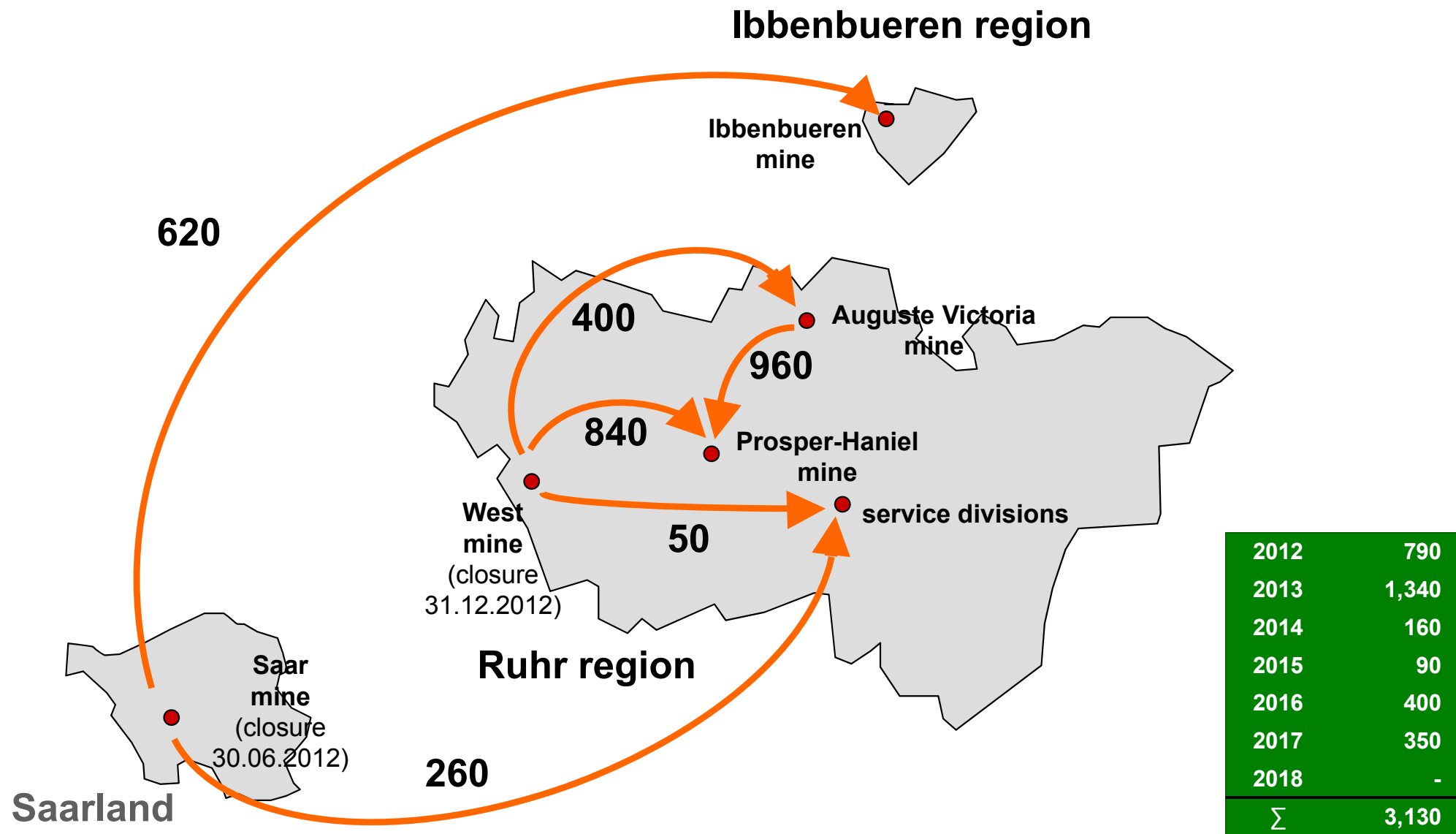
- For socially acceptable staff adaptation, a comprehensive package of instruments is available.
- It includes:
 - statutory regulations,
 - collective bargaining regulations,
 - internal company programmes.

RAG AG: employment and relocation figures 2007 – 2018

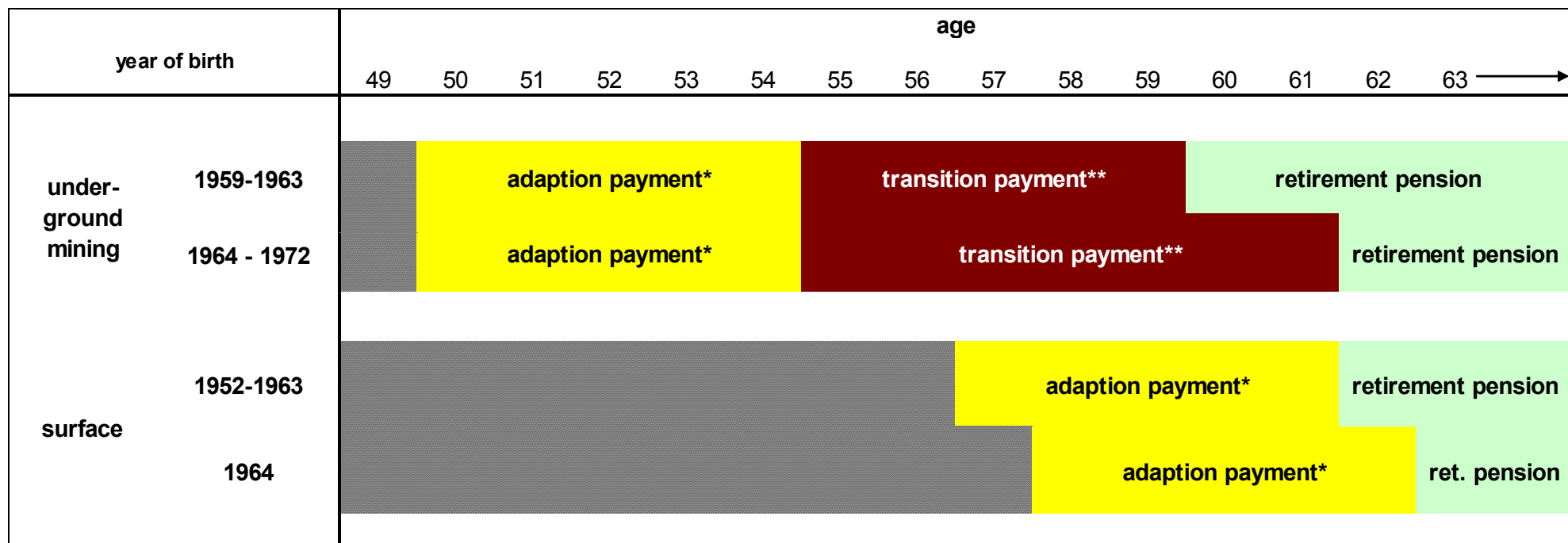


Graph: RAG, 2014

RAG: staff relocation 2012 to 2018



Early-retirement scheme of RAG




* paid by the Federal Office for Economic Affairs and Export Control ("Anpassungsgeld")

** paid by the miners' pension insurance ("Knappschaftsausgleichsleistung")

Strategy 2020 – More than just early retirement ...

early retirement

special mining-specific early retirement regulations



labour-to-labour transfers (StaffDevelopmentCenter)

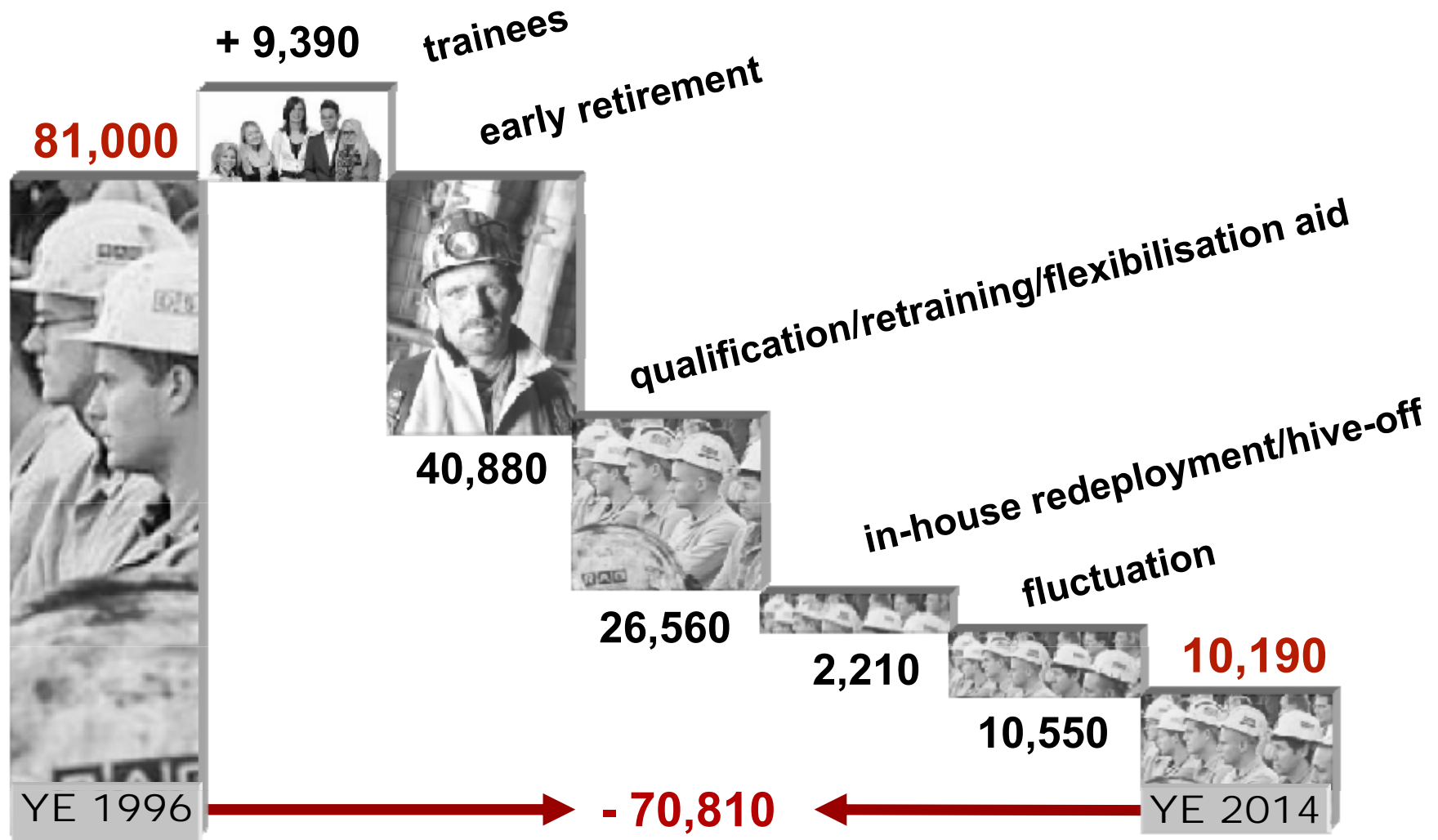
- qualification/retraining
- on-the-job qualification
- direct redeployment
- in-house redeployment
- temporary placement
- redundancy payments



Which path do we follow?



socially acceptable staff reduction 1997 - 2014



Graph: RAG, 2015

Instruments for socially acceptable staff reduction

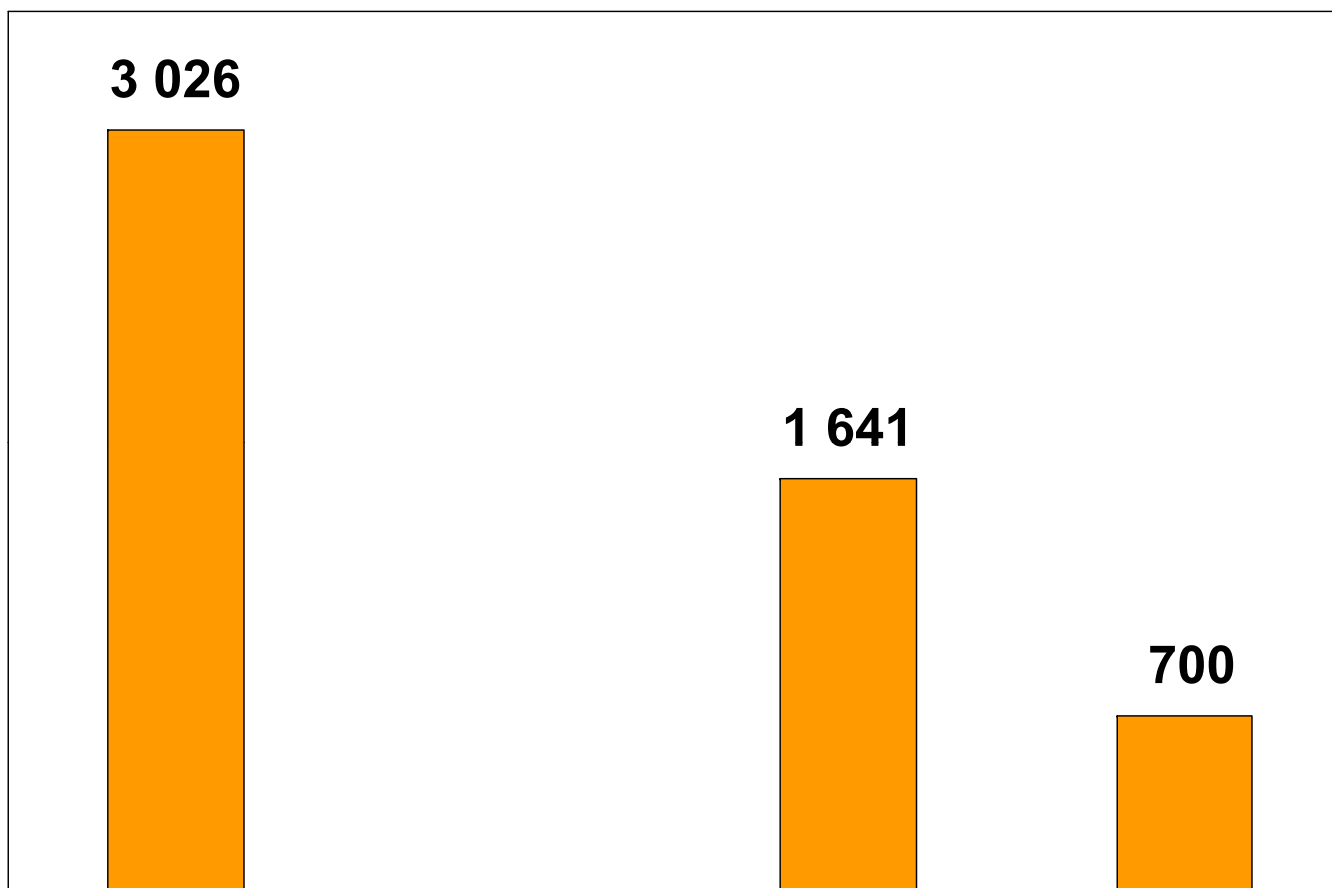


Some 900 former miners now work in the "white sector".

Some 100 former miners now work at Dortmund Airport.



RAG staff not eligible for early retirement



January 2007

April 2012

April 2015

28 December 2007

**Coal Industry Financing Act
takes effect**

01 April 2012 – 30 April 2015

**Collective wage agreement on socially
acceptable personnel measures in view of
coal industry phase-out by 31 December 2018**

Re-orientation and future tasks of RAG

Range of measures in the field of mining legacy



polder measures

groundwater purification

mine water management

handling of mining damage to buildings

old shafts and close-to-surface mining


land rehabilitation

RAG continues to be the contact for municipalities and people in the mining regions.

▶ Versatile know-how around real estate and land management



- | development | renewables | management | environment |
|---|---|--|---|
| <ul style="list-style-type: none"> ▪ land development ▪ project development | <ul style="list-style-type: none"> ▪ wind farms on spoil heaps ▪ solar parks ▪ biomass parks | <ul style="list-style-type: none"> ▪ portfolio management ▪ facility management ▪ land management ▪ management former mining | <ul style="list-style-type: none"> ▪ soil management ▪ compensation land management |

 **30 years of experience as owner, investor, service provider**

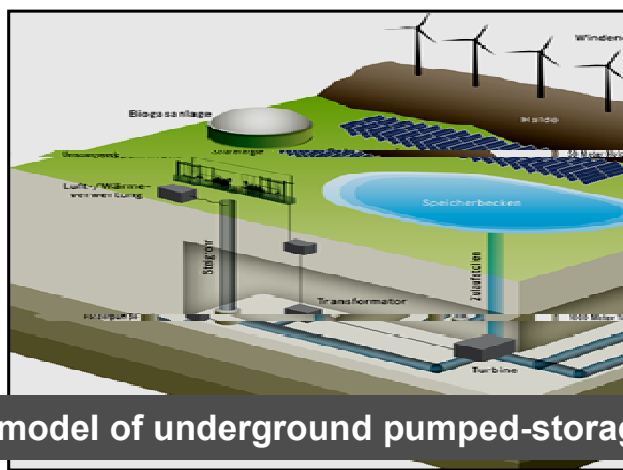
Activities in renewable energies and underground pumped-storage technology



solar park in the Saarland



heat from mine water



model of underground pumped-storage



windmill on a spoil heap

RAG MI has activities in the fields of solar energy, wind energy and geothermal energy. Underground pumped-storage technology is developed by RAG AG. Projects depend on public acceptance, environmental protection concerns and the general political conditions.

RAG's strategy for a sustainable corporate policy



We intend to leave an intact environment behind wherever possible.



We intend to contribute to the region's economic future.



We intend to treat the people responsibly.



We intend to safeguard the mining industry's cultural heritage.

Ewald 1/2/7, Herten, 1962



Ewald 1/2/7, Herten, 2012



