

UFE's reply to [the EC's roadmap on the revision of State aid for environmental protection and energy guidelines](#)

UFE welcomes the European Commission's will to update the State aid for environmental protection and energy guidelines (EEAG). The EEAG need to be revised in light of both **the newest climate and energy targets** of the EU and **the market developments and technological changes** that occurred over the past few years (production costs for renewable energy sources, electrification of end-use sectors, digitalisation, flexibility services and storage).

The EEAG should be reviewed and modernised to make sure that (i) investments in low-carbon energy are supported, especially capital intense investments requiring long-term frameworks, and (ii) that industry sectors that are more exposed to international competition can reduce their carbon footprint.

UFE would like to highlight some key features that need to be considered in the revision of the EEAG.

1. Transparency

EEAG must ensure that state aids are directed to sectors and projects of **common interest** understood as *"making the European economy sustainable by transforming the climate and environmental challenges into opportunities in all the fields of action while guaranteeing a fair and inclusive transition for all"*.

The revised EEAG must ensure that **an effective investment framework from upstream to downstream** is put in place that will ensure that investors have the visibility necessary to manage their risk and control their costs.

To provide further transparency and certainty, the revised EEAG should reassert the essential principles that will guide the assessment of the proposed aid measures.

In this regard, the reference to the EU taxonomy is not a solution. First, delegated acts of the EU Taxonomy have not yet been adopted. Second, State aid should be assessed on a case-by-case basis considering the objective of common interest, therefore, **a mechanical link with taxonomy must be avoided.**

The scope of a given aid measure should be adapted and differentiated according to the aid's objective:

- In the case when the aid aims at **achieving technology development goals**, the scope of the aid should be **technology-specific**, in order to avoid systematically favouring the least costly technology irrespective of the actual value of the energy it produces (cf. hereunder);
- In other cases, when the aid aims at achieving other objectives of common interest such as **security of supply**, a **technology-neutral** stance of the aid should prevail. In this regard, the EEAG should recognise that **Member States can support all technologies** that can contribute to achieving the targeted objective of common interest. This would give Member States the required flexibility to diversify their energy mix and maintain a competitive drive to lower costs per technology while ensuring their security of supply.

UFE therefore calls for the EEAG to **consider State aid supporting specific technologies as the default option** to determine the bespoke support levels needed by different technologies, in light of their specificities and scalability.

2. Tendering

First of all, UFE recalls that, **pursuant to Article 194(2) of the TFEU, Member States are responsible for their own energy mix.**

In UFE's view, the 2014-2020 EEAG enabled efficient and competitive renewable support schemes, especially thanks to tendering. However, past experiences have shown that **technology-neutral calls for**

tenders are not efficient, as they do not allow for the achievement of the energy policy objectives (see above).

Furthermore, UFE stresses that **cross-border support schemes covering more than one country should remain optional**. Indeed, national specificities (e.g. administrative costs, regulatory framework) have a significant impact on the cost of a given project. As project promoters are not competing on equal footing, cross-border calls for tenders are therefore not allowing a fair competition.

3. Broadening the scope of the EEAG

UFE is sceptical regarding the EC's proposal to broaden the schemes to "*direct competitors, various (related) industrial sectors and other areas of the economy*". UFE sees a **risk in terms of fair competition** between different actors, technologies, or even energy carriers.

UFE stresses the need to **harmonise the future EEAG with** the Electricity Directive and Regulation, the Renewable Energy Directive and the Energy Efficiency Directive.

4. Green bonus

UFE **does not support the introduction of a green bonus** or a brown malus in the EEAG. The assessment of the objective of common interest, i.e. the Green Deal, should be the core principle and should guide the Commission in its authorisation process. By introducing a bonus/malus system, there is a high risk of implementing bureaucratic or arbitrary assessment schemes leading to substantial market distortions.

5. Energy-intensive users (EIUs)

In line with the EU decarbonation objectives, EIUs should be encouraged through State aids to invest in energy efficiency and the decarbonation of production processes, for example via electrification.

The new guidelines must preserve existing support for energy-intensive users such as CCGTs which are subject to the ETS, and also avoid any risk of double taxation under the ETS.