

# Climate, Environment and Energy Aid Guidelines

## CONTRIBUTION OF FRANCE CHIMIE TO THE PUBLIC CONSULTATION

July 30<sup>th</sup>, 2021

France Chimie welcomes the “Fit for 55” legislative package, as well as the revision of the climate, energy and environmental State aid guidelines for the period 2022-2030, as an opportunity to establish the framework for a competitive low-carbon chemical industry in Europe.

On May 7<sup>th</sup>, 2021, France Chimie published a roadmap concerning the decarbonisation of the chemical industry in France, which anticipates a reduction of -26% of the greenhouse gases emissions between 2015 and 2030 for the sector. This trajectory is in line with the expectations of the Commission<sup>1</sup>. Still, France Chimie is committed to further investigating how breakthrough technologies could help accelerate the decarbonisation of the chemical sector.

This decarbonisation pathway, built with the French Ministry of ecological transition, the Ministry of economy and the Agency for ecological transition, relies on three pillars:

- An extension of the public support to decarbonising the industrial sector (low-carbon heat, energy efficiency, N<sub>2</sub>O abatement, etc.),
- An access to a low-carbon and competitive electricity (either hydroelectric, nuclear, solar or wind energy),
- A level-playing field between the European industry and its non-European competitors, so the chemical industry in France can keep providing competitive low-carbon solution on the international market.

For each one of these pillars, the State aid will play an essential role to maintain the competitiveness of the industrial companies and to bridge the gap between the traditional fossil-based production system and the low-carbon industrial processes.

For this reason, France Chimie supports the broad scope of the draft CEEAG to decarbonisation allowed by the new CEEAG, especially when it comes to:

- Supporting low-carbon technologies to decarbonise the industrial sector,
- Expanding aid to new areas such as circular economy,
- Increasing flexibility and streamlining rules currently defined in the 2014 Energy and Environment Aid Guidelines.

However, France Chimie is highly concerned by several provisions that could impair the capacity of the industrial sector to reduce its greenhouse gases emissions. First, it increases the cost of technologies that are deemed necessary to reach carbon-neutrality. Second, it dramatically deteriorates the competitiveness of the energy-intensive industry, thus reducing its capacity to invest in low-carbon technologies.

### **Aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy**

France Chimie supports the proposed approach of the Commission favouring most technologies required to reduce the greenhouse gases emissions in the industrial sector. This flexible approach allows the industrial companies to decarbonise their processes and their utilities in the most cost-effective manner., open to most technologies.

France Chimie asks to include nuclear energy in the guidelines so that it is fully considered as a solution to reaching carbo-neutrality, on an equal footing with renewable energies and CO<sub>2</sub> capture and storage.

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<sup>1</sup> The impact assessment concerning the new 2030 climate targets includes different projections for the emissions reductions potential in the industrial sector, ranging from -20,3 % to -25,1 % between 2015 and 2030.

### **Aid in the form of reductions from electricity levies for energy-intensive users**

France Chimie welcomes the decision of the Commission to maintain legal certainty regarding the reduction of taxes on electricity consumption. Electro-intensive industries such as the chemical industry are highly dependant on a reliable and competitive access to electricity to remain competitive on the international scene, but also to decarbonise their processes through their electrification.

The current state aid guidelines covering the period from 2014 to 2021 have been limiting the negative impact of the soaring costs of support to renewable electricity generation on the competitiveness of the chemical industry in France.

However, France Chimie is highly concerned by the intention of the Commission,

- a. To restrict the scope of the reduction of taxation on electricity consumption,
- b. To increase the taxation level through lower abatement rates.

The decision to limit the reduction of taxation on electricity consumption to sectors and subsector with a trade intensity superior to 20% would de facto exclude the industrial gases sectors. This sector, which includes activities that are critical to reaching the EU climate targets like hydrogen/oxygen production, would face a dramatic surge of its electricity supply. This extra cost, that could reach up to 90% of the value added of the concerned companies, would immediately kill the business and/or generate a high burden passed on to the industrial value chain increasing the carbon leakage risk.

**Therefore, France Chimie urges the Commission to reconsider the reduction of the list of sectors and subsectors eligible to reduced taxation on electricity consumption to include the whole chemical value chain, especially the industrial gases.**

France Chimie is also concerned by the proposal to increase the minimum level of contribution for industry from the current 15% to 25%, and to increase the limit for additional costs from 0,5% to 1,5% of the gross value added. We regret that the Commission has not performed a thorough impact assessment that would highlight the unbearable costs for companies highly exposed to international competition. Especially in a context where the Commission and the national governments rely heavily on electrification to decarbonize the industrial sector.

**France Chimie brings to the attention of the Commission that the chemical companies face a dramatic increase in the cost of their low-carbon electricity consumption, despite sustained efforts to reach the highest levels of energy efficiency. Increasing the taxation on these plants will bring negative environmental and economic effects by increasing the market share of extra-European competitors with much higher carbon footprint.**

Regarding the conditionality of aid, France Chimie would recommend avoiding provisions that force companies to invest in specific environmental projects, that may not be relevant in the long run. A more flexible approach would favour the most efficient decarbonisation pathway for each company.

### **Aid in the form of reductions in taxes or parafiscal levies**

National governments use a wide variety of parafiscal levies to finance specific energy policies. Imposing a minimal contribution to the industrial sector would create unfair distortions of competition between industries in different Member States.

If a maximum reduction in parafiscal levies was adopted, the chemical industry in France would face excessive costs, unrelated to its energy efficiency or decarbonisation potential. France Chimie requests complete exemption of parafiscal levies for energy-intensive industries and their value chain in order to safeguard its competitiveness.

At the very least, before adopting any such measure, the European Commission needs to lead an in-depth assessment of:

- the different parafiscal systems across the EU,
- of the financial impact on the industry,
- the balance between incentive to improve energy efficiency and the reduction of investment capabilities or the industrial companies.

The European Commission also needs to provide carbon-leakage prevention measure to counter-balance the competitiveness deficit created by the extra charge on the EU industry.

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