

2 August 2021

Energy and Environmental State Aid Guidelines **The European Potato Processors' Association (EUPPA) contribution**

Dear COMP- CEEAG team,

Please find below the EUPPA contribution to the stakeholder consultation on the draft Climate, Energy and Environmental State Aid Guidelines (EEAG).

EUPPA regrets that the proposed Guidelines on State aid for climate, environmental protection and energy 2022 limits the number of eligible food and drink sectors for aid in contrast to the 2014-2020 guidelines.

Our members are fully committed to the EU Green Deal ambitions and are implementing energy management systems to contribute to environmental and climate protection. Considering the investments that will be needed from the potato processing sector to support the transition to climate neutrality, an inclusive framework for state aid is needed. EUPPA therefore requests the European Commission to ensure that all sectors that were eligible will remain so in the next aiding period and to show flexibility in adding new sectors - particularly those already covered by the Emissions Trading System (ETS) and included in the carbon leakage list.

EUPPA would like to also highlight a discrepancy between eligible sectors versus eligible sectors with more intensity¹, when comparing the proposed guidelines 2022 with the 2014-2020 guidelines. More precisely, it seems that the potato processors will be entitled to state aid if facing a trade intensity of at least 20 % at Union level compared to 4% in the previous guidelines, and 10% electro intensity. However, only few or none of EUPPA members achieve these numbers. Furthermore, EUPPA would like to note that electro-intensity is not a reliable parameter to evaluate whether aid should be granted or not. If an energy-related parameter is used, it should be the total energy cost or consumption; therefore, not only electricity should be taken into account, but the combination of different energy sources (electricity, gas, renewable, etc.). In addition, it is unsure whether cost is an accurate criterion to take into account. For example, EUPPA members' experience from last year shows that due to the low energy prices, the electro-intensity should have been lower. However, the amount of energy consumed (in MWh or MJ) by the sector did not necessarily decrease. Therefore, EUPPA believes that the amount of energy consumed is a more accurate parameter. Also, fossil fuels such as oil and gas have a much higher reduction potential since this is used at the facility itself rather than being imported through the grid.

¹ See Annex 3 of [COMMUNICATION FROM THE COMMISSION Guidelines on State aid for environmental protection and energy 2014-2020](#): List of eligible sectors under Section 3.7.2: 1039 Other processing and preserving of fruit and vegetables and Annex 5: Mining and manufacturing sectors not included on the list of Annex 3 having an extra-EU trade intensity of at least 4 %: 1031 Processing and preserving of potatoes.



About EUPPA

EUPPA is the European association representing the industry of potato processors in Europe. Its members are 6 national associations based in Belgium, Germany, France, Italy, the Netherlands and the United Kingdom as well as 15 individual companies, accounting for more than 90% of processed potato production in Europe.

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Moreover, the new 'Code of Conduct on Responsible Food Business and Marketing Practices' clearly highlights that the food and drink sector needs supportive measures to deliver on the voluntary commitments it has brought forward (i.e. 55% reduction of GHG emissions by 2030). This was confirmed in the recent decarbonisation roadmap for the food and drink sector², commissioned by FoodDrinkEurope and to which EUPPA contributed.

The potato processing sector is working hard to become always more sustainable and to achieve emissions reduction goals. However, the sector, and the food & drink industry in general, is highly competitive and margins are not as high as in other sectors. Therefore, investments in emissions reduction measurements are often rejected because of the lower internal rate of return (IRR) compared to other projects.

As a consequence, for all the above reasons and in order to ensure an inclusive approach in line with the efforts required by the various sectors in the path to carbon neutrality and to ensure a fair mechanism for both big and small & medium companies, EUPPA requests that:

- the European Commission ensures that all sectors that were eligible will remain so in the next aiding period;
- the proposed increase of the trade intensity criteria from 4% to 20% be reconsidered;
- the European Commission reconsiders the parameters used to determine whether state aid should be granted or not (i.e., energy consumed rather than electricity, amount of energy consumed rather than cost).

The potato processing sector needs aid and other enabling framework conditions in order to be able to play our part in the climate neutrality transition. This is even more needed bearing in mind the impact of the pandemic upon a wide range of sectors & SME's across the supply chain.

EUPPA thanks you in advance for taking our views into account. We remain at your disposal for any further clarifications.

Best regards,

Margaux Rundstadler, Sustainability Affairs Manager, EUPPA

² [Decarbonising the European food and drink manufacturing sector - FoodDrinkEurope : FoodDrinkEurope](#)



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