

Greek Association of RES Electricity Producers

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GAREP POSITION ON THE REVISION OF THE EEAG

The European Commission has launched a targeted public consultation on the proposed revision of the Guidelines on State Aid for Environmental Protection and Energy (“Energy and Environmental Aid Guidelines” or “EEAG”). To highlight the increased importance for the implementation of the Commission’s top priority, the European Green Deal, the revised guidelines now go under the name of Climate, Energy and Environmental Aid Guidelines (“CEEAG”).

Our first and very crucial point is that the current draft of the CEEAG has removed the dedicated category of aid for supporting renewable energies, and has instead created an overarching category dedicated to the reduction of greenhouse gas emissions. While the title of the category of aid may have been adjusted to include “support for renewable energy”, the troubling issues within this category persist, in particular the inclusion and mixing of undefined “low-carbon” technologies with renewables. This, in effect, leaves the back door open for nuclear and fossil fuels, through the inclusion of hydrogen and carbon capture storage and utilization (CCSU) processes, to continue to receive support from Member States.

Under this crucial point, we put forward a number of key notes and recommendations, that lawmakers should bear in mind when revising the Guidelines on State Aid for Climate, Environmental Protection and Energy, so as to ensure alignment with other EU legislation and to help deliver solid results on the EU’s climate agenda:

- The fact that the CEEAG is no longer talking explicitly about renewable energies, but about “decarbonisation” (*ref. to Par. 74 & 100 of the draft new Guidelines*), can create risks by opening the door to all “low-carbon” technologies, independently of their energy input and carrier (nuclear, fossil fuels, etc.). To avoid this, renewables should be separated from “low carbon”, CCS/CCU, hydrogen, et. al. technologies, by establishing a dedicated category of aid for them and energy efficiency, thus recognising their importance and setting out the necessary ambition to enable massive public investment. **CCS/CCU, low carbon gases and hydrogen from non-renewable sources should not be accepted under the CEEAG, if the EU is to reach its net zero GHG emissions target by 2050. In the same vein, co-generation based on non-renewable sources must not be granted any aid.** Therefore, a dedicated chapter on “Aid for renewable energy sources” should remain at the core of the new Guidelines and underpin the right regulatory framework that will deliver the necessary RES volume expansion, alongside further cost reductions to the benefit of end users.
- **Technology-specific schemes should be preferred over technology-neutral ones, in fact they must be the rule, not the exception.** Technology-neutral schemes, including auctions, should be required to provide special reasoning for their necessity, such as by demonstrating their positive impact. Insisting that state aid be granted, as a rule, on a technology-neutral basis has had, in many Member States, the effect of funneling support to projects that are advantaged in

presenting winning bids. These projects, however, may not be the ones best adapted to the territory, or to the specific system-change needs of a specific locality and region. Each Member State has an energy mix, a specific grid and balancing situation, specific renewable energy roll-out and pathways, geographic and meteorological conditions, political and societal considerations and markets and regulatory frameworks, which are unique to it.

Technology-neutral auctions often result in a single technology winning the entire auctioned volume, therefore not exploiting the complementarities of the different power generation profiles across RES technologies. For example, the strong complementarity that exists between wind, whose generation is higher in winter months and at night, and solar energy, whose generation is higher during summer months and during the day. This complementarity is essential to guarantee a balanced energy system and to ensure a better grid planning and utilisation.

The design of support schemes and regulatory frameworks must take all these crucial factors into account, in order for each Member State to be able to play to its renewable strengths, including the option of close regional and/or transnational cooperation. A balanced deployment of renewables based on technology-specific support schemes may, for many Member States, in fact be more cost efficient. National Governments need to have the confirmation from the new EEAG that these technology-specific auctions are consistent with the EU framework - consistent with the Renewable Energy Directive. This coherence is critical to investor visibility and to the timely implementation of national auction systems.

- **The auctioned volume should not arbitrarily be reduced, when auctions are undersubscribed. Doing this, increases competition artificially, but fails to address the root cause of the problem (ref. to Par. 48 of the draft new Guidelines).** Competitive bidding processes can deliver more renewables at the lowest cost for citizens, if sufficient projects can participate. But this is only possible if the market is healthy and does not suffer from administrative or regulatory barriers and/or bottlenecks. Permitting of renewable energy projects is the key such bottleneck in all EU markets. Burdensome and lengthy permitting procedures, lack of sites due to e.g. unnecessarily strict set-back distance rules or tip/hub height restrictions, often result in undersubscribed auctions. Those barriers decrease the level of confidence in project realisation, leading to lower project development pipelines. Competition in auctions cannot be increased by decreasing the auctioned volumes, as this exacerbates further investors' confidence and decreases visibility on auction rounds. Competition should rather be increased by removing all existing regulatory barriers to renewable energy deployment (such as administrative delays and regulations preventing fast and efficient permitting). **If tenders are undersubscribed, the non-awarded volumes should be incorporated into later auctions, so that the projected deployment path could still trigger investment decisions.**
- Under the draft CEEAG, the threshold for an exemption from the bidding process is too low, and contradicts the Green Deal and net-zero ambitions. The threshold must be increased, in order to facilitate renewables deployment and further development of renewable technologies.

- Renewable-sourced hydrogen production has the potential to efficiently complement renewables deployment in the energy transition, therefore it should be included under the CEEAG. However, all other sources of hydrogen should be excluded from the CEEAG, as this will allow fossil fuels and nuclear to benefit from continued support from Member States and, thus, drastically slow down the EU energy transition process. **It is vital that the EU supports and develops hydrogen from renewable sources only, ensuring that it comes from all available sustainable renewable sources, be it wind, sun, hydro, biogas, etc.** All other non-renewable hydrogen should be abandoned, as these unsustainable sources would divert essential financial aid from the renewable and energy efficiency sectors, for the benefit of the incumbent energy sector, and to the detriment of the transformation towards a carbon neutral economy, thus creating a vicious circle at an EU-wide and global level, while the climate crisis is worsening.
- **Permitting issues (such as public consultations, etc.) are not relevant to the State Aid guidelines and should be removed from the CEEAG text.** These issues are regulated under a large number of specific EU and national legislation provisions, and have to comply with detailed European legal texts and regulations, such as FFH, WFD, Natura, etc.
- **Storage should be eligible for state aid, both capital and operational.** The number of storage projects, either stand-alone facilities such as pumped hydro storage and large-scale batteries, or in combination with RES power plants, is increasing rapidly. Yet, the draft new Guidelines suggest that electricity produced as a result of a storage facility should not be granted state aid. **This is wrong.** Storage facilities, stand-alone or in combination with RES plants, provide huge benefits for the acceleration of renewable-based electrification and system integration, based on grid optimisation and sustainability criteria. **Renewable electricity stored should qualify for state aid, when it is released from the storage system.** To address regulators' fears that operators could claim compensation for non-RES electricity absorbed from the grid, it is essential to clarify the rules on metering. This way, it can be ensured that grid-absorbed electricity that comes from other sources (not renewables) is separately counted **and it is not compensated, while electricity generated by RES sources and stored by the storage facility does receive compensation.**

The Greek Association of RES Electricity Producers (GAREP) is an association of independent power producers active in the development, installation and operation of RES-electricity projects in Greece. GAREP represents the vast majority and the full technological spectrum of installed renewable capacity in Greece and strives to facilitate the implementation of RES projects nationwide.