

Brussels, 2nd August 2021

FEAD's response to targeted consultation on the revised draft guidelines on Climate, Energy and Environmental State aid

The **European Waste Management Association (FEAD)** welcomes the opportunity to comment on the revised draft **Guidelines on State aid for Climate, Environmental Protection and Energy** (CEEAG). By representing the whole waste management chain in the EU, FEAD would like to stress two key points:

- **FEAD is particularly concerned with the fact that the recycling sector is not listed among the activities eligible for aid in the form of reductions from electricity levies for energy-intensive users (under section 4.11 and related list in Annex I to the guidelines).** In compliance with the rationale for aid under section 4.11.1, the recycling sector plays a key role in our economy, notably in achieving the objectives of the new Circular Economy Action Plan and, more generally, of the Green Deal, by turning waste into resources and by entailing significant “avoided emissions” compared to manufacturing from primary raw materials. This is particularly relevant as the recycling sector is currently included in the list of energy-intensive users eligible for reductions from electricity levies under NACE code 38.32 (Annex III to EEAG).

With specific regards to the objectives mentioned above and to the current eligibility status granted to our sector, **we urge the European Commission to reconsider the list of sectors included in Annex 1.** If the recycling sector is not included in the list contained in Annex I contrary to the manufacturing sector, this will lead to (1) a lack of level playing field between manufacturing and recycling activities as far as state aid for energy costs is concerned, and (2) the lack of incentivisation for the incorporation of recyclates vs primary raw materials deriving from more energy-intensive manufacturing processes.

- Under the current draft, recycling companies **that are at the very core of the transition towards more circular economies and that would fulfil the minimum threshold on which electro-intensity is calculated, would fall outside the scope of the new list. The unintended consequences of these changes will weigh heavily on the recycling sector**, notably by critically affecting recycling operators' competitiveness vis à vis other industry players (i.e. manufacturers of virgin materials). It is thus crucial that the guidelines are rectified as to avoid negative effects on the recycling sector.
- Additionally, to ensure the transition towards a more circular economy, we believe that **the guidelines should ensure a level-playing field between the production of secondary raw materials and recyclates.** In line with section 3.2.2 of the draft guidelines and to avoid potential distortive effects, a proper assessment on the role state aid can play with regards to activities directly competing with recycling, notably manufacturing of primary raw materials, is essential.

To further foster the transition, eligibility of certain manufacturing activities for state aid (i.e. those competing with recycling) should be granted to those positively contributing to the objectives of the Green Deal and of the Circular Economy Action Plan, as mentioned in the text of the draft guidelines. Complementarily, relevant manufacturing activities should be granted aid if they are able to demonstrate the (economic) inability to integrate a certain share of recyclates /substances from processed waste material, especially in the areas of minerals/building materials, glass, scrap/metal, paper/cardboard, wood, biomass/composting and packaging/plastics. This would allow on the one hand certain manufacturing activities to accelerate their transition towards circularity. On the other hand, this is the only way to ensure that recycling/preparation for recycling of waste can continue to make the known high contribution (compared to the extraction/consumption of finite primary raw materials or mineral resources) to achieving the goals of the Green Deal (especially in terms of resource efficiency, reduction in environmental pollution, less intervention in natural ecosystems and the preservation of biological diversity).

- On another note, FEAD remarks that the reference to the EU Taxonomy as to quantify economic sectors' environmental contribution and significance under the definition of State Aid's guiding principles is premature at this stage. We encourage a cautious assessment of this reference, as long as the legislative process concerning the delegated acts is completed and that further certainty on the implications and implementation of the above-mentioned Regulation is provided to economic actors. This is essential to avoid unintended distortions to competition, potentially harming the transition to circular economy. Moreover, it should be noted that the principles on which State Aid and Taxonomy are based (projects vs sectors) does not allow for a full alignment between the two texts.

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