



## Climate, Energy and Environmental Aid Guidelines (CEEAG)

**IMA-Europe acknowledges the publication of the European Commission (EC) draft proposal and is willing to contribute to its debate.**

The Environmental and Energy State Aid Guidelines (EEAG) help Member States to design state aid measures that contributing to reach their climate targets, while ensuring those measures **cost-effective** and **not causing distortions of competition or loss of competitiveness**. The current guidelines ([2014/C 200/01](#)) apply from 1<sup>st</sup> July 2014 until 31<sup>st</sup> December 2020, while on 7<sup>th</sup> January the EC announced its **extension** by two years **until 2022**. Within this paper, IMA-Europe, representing over 500 companies in 28 countries, aims to contribute to the on-going consultation on a draft version of the guidelines, open for feedback until the 2<sup>nd</sup> of August.

### OUR CALL

#### **Definitions** (Chapter 2.4)

“CO<sub>2</sub> removal” definition (Ep 16) excludes natural CO<sub>2</sub> uptake not directly caused by human activities. A clear definition of “human activity” shall be further considered by the policy maker, where **both natural & enhanced carbonation** shall be considered as CO<sub>2</sub> removals, and thus entitled to benefit from State Aid.

#### **Aid for the reduction of and removal of Green House Gas (GHGs) emissions including through support of for renewable energy** (Chapter 4.1)

**IMA-Europe supports the enlargement of the scope** to new areas and technologies. Aid under the 4.1 chapter, will be key to ensure the decarbonisation of the mineral sector. As regarding the proportionality criteria, we consider cogeneration (paragraph 107) as a bad example of the type of incentives that must not be provided for the generation of energy. In this sense, industrial cogeneration is generally used for high temperature applications which cannot be replaced by electrical applications. We therefore call for taking out this example from the current draft.

Under chapter 4.1, an important element is also the consideration of hydrogen conversion eligible for aid, in addition to CCS or extra cost associated with cogeneration. High temperature applications will be hard to electrify so that hydrogen conversions should be eligible for aid.

#### **Aid in the form of reductions from electricity levies for energy-intensive sectors** (Chapter 4.11)

- **The eligibility criteria shall not be further strengthened:**

The current Annex 5 of the EEAG entitles mining and manufacturing sectors not included on Annex 3 having an extra-EU **trade intensity of at least 4 %**, to receive aid in the form of reductions from electricity levies. The **elimination of the annex 5 in the current draft strongly undervalues the relevance of the trade intensity criteria** and significantly restricts the list from 220 to 51 “privileged activities” so that in the future those with at least 10% electro intensity & **20% trade intensity** would qualify under chapter 4.11.



In addition, under the current threshold criteria (paragraph 357) only one activity<sup>1</sup> will benefit from a “special status” as included under the 7% electricity intensity & 80% trade intensity, while no justification is provided for this special consideration. **As a result of this change, several branches of the building materials industry (NACE 08.12, 23.32, 23.51, 23.52, 23.62, 23.69, 23.70, 23.99) are no longer included.** According to the Commission's reasoning (paragraph 353) the removal of a whole eligibility category was necessary due a threat to overall funding for renewable sources and due to distortions of competition and trade. Such effects of the EEAG, however, have not occurred.<sup>2</sup> Taking into account all these considerations, **we strongly call DG COMP to bring back the former 4% threshold for trade intensity and the 20% for electro-intensity. (Annex 5) as well as the 10% threshold for trade intensity and the 10% for electro-intensity (Annex 3).**

- **In addition to NACE assessment, the EC should keep the possibility of PRODCOM data or qualitative assessment criteria, when compliant with the energy-intensity and trade-intensity targets.**

For several sectors, the assessment at NACE 4 - level is not appropriate. Even though those sectors meet the requirements for state aid when assessed individually at PRODCOM level or via qualitative assessment, they are still not on the list of eligible sectors because the average electricity and trade intensities of their corresponding NACE 4 codes are too low. Often it is due to the wide heterogeneity of the sector found under the NACE code.

As part of the current revision of the NACE 2 codes, EUROSTAT and a Task Force consisting of 16 Member States has rejected the request to split the NACE Code 08.12 because *“it would generate too small classes, unreliable data and confidentiality issues. If this is important for some countries, they can introduce the breakdown at National level”*. So, it should be allowed to conduct the assessment at PRODCOM level where duly justified.

- **It should be possible to provide additional data to the Commission if a sector wishes to advocate for the reintroduction on the list of eligible sectors.**

Sectors should be able to provide reliable data for more recent years. The current reference period (2013 – 2015) is too far away from a potential CEEAG starting in 2022 and may not provide the best indicator for a set of aids proving support to EU Industry. The EC may amend the Annex with eligible sectors or sub-sectors at any time.

- **Proportionality of the aid measure shall be kept at the current level and not be further strengthened.**
- **No absolute but qualitative thresholds shall be requested for the energy audits and management system criteria.**

In addition, we are concerned by the fact by the requirement that investment should lead to reduction below EU ETS benchmarks. Not only the EC risk overlapping the CEEAG state aid, with the EU ETS State Aid Guidelines [C\(2020\) 6400 final](#), but also such an investment obligation would be contrary to the policy's goal of mitigating carbon leakage risks.

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<sup>1</sup> The is the case of the NACE Code Activity 26.11 (Manufacture of electronic components), whit an electro-intensity value of 8.00 % and thus outside of the general threshold criteria of 10%.

<sup>2</sup> « For determining the specific actual embedded emissions of simple goods produced in a given installation, only direct emissions shall be accounted for”. Annex III [2021/0214 \(COD\)](#).



#### **Aid for environmental protection in the form of reductions in taxes** (Chapter 4.7)

Energy intensive industries can benefit from energy tax reductions in compliance with EEAG. Art. 17 of the Energy Taxation Directive (ETD) 2003/96/EC qualifies an energy-intensive business when the national energy tax payable amounts to at least 0,5 % of the added value, while the EEAG proportionality principle (paragraph 269) is fulfilled if aid beneficiaries pay at least 20 % of the national environmental tax. We understand aid to energy intensive industries may not be enough to compensate the tax payment, while placing beneficiaries at competitive disadvantage due to the introduction of energy tax. **This 20% requirement shall be reduced accordingly and better aligned with ETD provisions.**

#### **Negative condition & Reference to the EU Taxonomy** (Chapter 3.3)

According to the current draft, when weighing the positive effects of aid against the negative **effects on competition and trade** the Commission will pay particular attention to Article 3 of Regulation (EU) 2020/852 (paragraph 69). **IMA-Europe strongly call against a potential link of the CEEAG and the EU Taxonomy.** Not only the EU Taxonomy has been designed to achieve a different goal (i.e., determining when an activity is considered environmentally sustainable), but also a small number of economic activities is covered by this tool. The **EU Taxonomy is not yet completed, still under development and not tested, thus the consequences of linking both instruments are still uncertain.**



IMA-Europe is an umbrella organisation which brings together a number of European associations specific to individual minerals: Calcium Carbonates, Dolomite, Andalusite, Bentonite, Borates, Diatomite, Feldspar, Kaolin, Lime, Mica, Plastic Clays, Sepiolite, Attapulgite, Silica and Talc.

Together, IMA-Europe's associations represent over 250 companies in 28 countries and an annual production of above 180 million tons of raw materials essential for our modern life.

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