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NHO response to the public consultation on the revised state aid guidelines for climate, environment and energy (CEEAG)

With reference to our previous response to the EEAG consultation as well as state aid considering EU-ETS sectors, The Confederation of Norwegian Enterprise (NHO) welcomes this opportunity to comment and to provide inputs on the revised state aid guidelines. State aid is needed to speed and scale-up the transition to a low carbon future. We support the comments made by BusinessEurope, of where NHO is one of its 35 national business federation membership, while hereby put emphasis on what we regard of particular importance to reach climate goals.

NHO supports the EU ambition of net-zero greenhouse gas emissions (climate neutrality) by 2050 to reach the objectives of the Paris Agreement. NHO welcomes the Green Deal and acknowledge the difficult task of balancing transition pace with market regulation and global competitiveness. CEEAG should facilitate competition between technologies that provide climate solutions, while not picking winners.

A climate neutral Europe will be a much more electrified Europe, but molecules will continue to play a significant role, produced, and used increasingly without emissions. Most studies list three major categories of efforts: energy efficiency, renewables, and carbon capture. Carbon is a prerequisite for life but a limited and invaluable resource. Consequently, we need to keep it out of the atmosphere but in the economy as long as possible, notwithstanding its source.

Electro-intensive industry

Norwegian electro-intensive companies manufacture and develop key materials that form the building blocks of a decarbonized Europe. They compete on global markets, making them price-takers with no ability to pass additional costs on to customers without losing market shares. Emissions are very low compared to producers from third countries since power generation and industry consumption is practically 100% renewable and CO₂-free. Power prices, on the other hand, are heavily influenced by CO₂-prices as Norway is physically connected to markets with thermal power that remain the marginal price setter.

Due to the marginal price mechanism and the increase of the carbon price to support investment in renewable electricity capacity, the energy-intensive industries are increasingly exposed to indirect ETS costs, regardless of their renewable energy supply decisions. Hence, the indirect risk of carbon- and investment leakage grows, in addition to the leakage risk through increasing direct EU ETS costs. Consequently, free allocation and state aid compensating indirect costs should be maintained.

NHO cannot see any justification for the shortened list of eligible sectors in Annex 1. On the contrary, deep electrification will most likely provide more sectors. Moreover, the proposed methodology of EU averages and past figures is not representative for most (existing) entities.

Carbon capture

NHO welcomes the inclusion of activities and technologies such as offshore wind, electrolysis, battery materials, and the environmental performance of buildings. We support the recognition of electricity and hydrogen-based technologies for CO₂ abatement, such as CO₂ utilisation in addition to carbon capture. The Norwegian industry and our government have for long acknowledged the need of CCS, materialised through the Longship project. However, we find it counterproductive to climate targets that not all CO₂ sources is included in CEEAG. Neither emission free cement nor hydrogen production from natural gas with CCS or the connected infrastructure is reflected in the guidelines. Rather, the guidelines state a fear of natural gas lock-in of no relevance to climate nor to EEA member Norway, as the energy service of natural gas eventually also must be delivered emission free.

Moreover, as briefly touched up on in points 161 and 162, natural gas supports and back-up biogas, as well as so called "blue" hydrogen is needed to build up "green" hydrogen. We argue that Europe needs ALL technologies to get to the low-carbon society and that one should let emission reductions and cost-efficiency decide solutions, avoiding picking winners. Natural gas is arguably very environmentally friendly except of CO₂ by combustion and, hence, if removed and kept out of the atmosphere by CCUS, it should be an equally valid option reflected in CEEAG.

Biomass

Carbon capture on biomass combustion can also be needed to reach net-zero, end of waste in the circular bioeconomy by the cascade principle. However, NHO worry that intentions of more circular and sustainable practices, including Lulucf, forest strategy and CEEAG (too) detailed criteria, is undermined by heating and transport sector mandatory decarbonisation targets. As biofuels are needed in the medium term to meet targets, but face (too) strict sustainability criteria preventing imports, value creation further up in the pyramid might be unable to compete for available biomass resources and halt the circular bioeconomy. A holistic approach according to regional biological and industrial realities as well as projects with incentives for products and value creation all along the value chain, is necessary.

The Norwegian experience is that biofuels should be prioritised to heavy transport that not yet have any viable alternatives and not generally blended in and distributed to light vehicles with alternatives.

Best regards,

Confederation of Norwegian Enterprise (NHO)



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