

30 July 2021

**Public consultation on the revised Climate, Energy and Environmental
Aid Guidelines (CEEAG) –
Primary Food Processors contribution**

Dear COMP- CEEAG team,

Please find below Primary Food Processors (PFP) contribution to the stakeholder consultation on the draft Climate, Energy and Environmental State Aid Guidelines.

PFP is an alliance composed of six trade associations, representing manufacturers of sugar, starch, wheat flour, vegetable proteins, cocoa, and vegetable oil and protein meal products, respectively. PFP members process agricultural raw materials into a range of commodities and ingredients that are purchased by secondary processors for food, feed, and non-food uses. The primary food processing industry uses around 220 million tonnes of agricultural raw commodities annually, directly employs over 120,000 people in the EU and provides one million indirect jobs.

PFP is concerned that the proposed guidelines for 2022 and onwards still limit the number of eligible high energy intensive industries at risk of ETS carbon leakage within the food and drink sectors.

Considering the investments that will be needed to support the transition to climate neutrality, the Commission should remain inclusive and leave no one behind. The impossibility for certain high energy intensive industries of being recognized eligible for “Aid in the form of a reduction in electricity levies for energy-intensive undertakings” in the revised guidelines would put industry at a sensible risk of delocalization in third countries affecting key strategic food products in the EU with strong link to rural areas, limiting the possibility to contribute to the EU climate objectives set by the EU Green Deal and hampering investments into the electrification processes.

In this respect concerning Section 4.11 (Page 85) “Aid in the form of a reduction in electricity levies for energy-intensive undertakings”, PFP asks the European Commission to show more flexibility in the establishment of the draft Annex-1 and allow PFP factories to continue investment in growing willingness to electrify, and thereby to contribute to the objective of reducing emissions and the amount of fossil fuel used.

To this end - as regards electro intensity and trade intensity values proposed in the draft revised Guidelines - we respectfully ask to:

1. Take into consideration the specificity and reality of ETS sectors at risk of carbon leakage by **considering more recent years** in determining the values in line with art. 10 B par. 2 of Directive 2003/87.

2. **Reconsider the doubling of the required trade intensity** from 10 % of the currently applied Guidelines to 20 % in the proposed revisions by proposing a lower value. In line with the EU Green Deal objectives, the vulnerability of EU productions should be considered together the higher environmental, social and climate protection standards applied in comparison to third countries.
3. **Introducing a tolerance threshold in the trade intensity levels to the benefit of energy intensive industries**, given the risk of delocalization outside the EU. Even if the exact values are not reached by sectors, a specific derogation could be allowed for energy intensive industries which are on the carbon leakage list.
4. **Assessing the possibility of a phased system with different amounts of aid allowed**: lower electro intensity and trade intensity values could lead to reduced value of aid, while keeping the full aid amount for those sectors that already fulfil the necessary parameters.
5. Assessing the possibility of **allowing, for sectors close to the thresholds, the submission of an ad hoc qualitative dossier** based on which the Commission might decide that the inclusion of the sector in Annex I is appropriate. Such dossier could take into account some of the elements mentioned above where particularly relevant for a sector (e.g. large change in Trade Intensity in the last years) as well as other elements which are particularly relevant for a specific sector (e.g. use of more specific data compared to NACE-4 codes where this leads to substantial changes in results).

Additionally, as regards CHP, PFP would prefer that CHP complies with an EPS of 270 g CO₂/kWh of total energy output (power, heat and mechanical energy) rather than 550 g of CO₂/kWh of electricity. This approach is taken in Fit for 55 with the updated definition of high efficiency CHP in the EED recast. Therefore, it should be sufficient that CHP complies with the “high efficiency” standard in the recast EED to exclude coal-based CHP and promote highest efficiency supply of grid services.

We trust that including the above proposals in the revised Guidelines will allow an inclusive approach in line with the efforts required by sectors in the path to Carbon Neutrality.

The **Primary Food Processors of the EU (PFP)** is composed by:

European Committee of Sugar Manufacturers ([CEFS](#))
European Cocoa Association ([ECA](#))
European Flour Milling Association ([European Flour Millers](#))
European Starch Industry Association ([Starch Europe](#))
European Vegetable Protein Association ([EUVEPRO](#))
European Vegetable Oil and Proteinmeal Industry ([FEDIOL](#))

PFP members process approximately **220 million tons of raw materials** (cereals, sugar beet, rapeseeds, soybeans, sunflower seeds, crude vegetable oil, cocoa products, starch potatoes...) **employing over 120 000 people** in the European Union.