

**CEWEP Ireland response to the Draft Guidelines on State aid for climate, environmental protection and energy 2022**

**1 August 2021**

CEWEP Ireland is the representative body of the Waste to Energy (WtE) industry and is the Irish branch of CEWEP Europe.

While WtE is a relatively recent technology in the Irish context (the first dedicated WtE facility become operational in 2011), it has played an important role in reducing emissions associated with waste treatment. By diverting waste from landfills and producing low carbon energy, WtE significantly reduces the overall GHG impact of the waste sector. According to Ireland's Environmental Protection Agency, in 2019 GHG emissions were 41.7% below 1990 levels as a result of the diversion of waste from landfill as well as a decrease in the proportion of organic materials (food and garden waste) in Municipal Solid Waste (MSW).<sup>1</sup>

WtE plays a vital role in the circular economy by diverting waste from landfills and treating residues from recycling processes. Therefore it should remain eligible for State aid in line with the EU waste hierarchy. Furthermore, the WtE industry in Ireland is currently exploring a range of innovative technologies to further decarbonise our processes and outputs. These include the development of district heating networks (using waste heat in the form of hot water) and the production of hydrogen for use in heat and transport. The hydrogen will be produced by an electrolyser using electricity that would otherwise be wasted at times when instructed to dispatch down by the System Operator.

CEWEP Ireland welcomes the broadening of the CEEAG scope in order to contribute to the achievement of the redefined objectives of common interest as outlined in the European Green Deal and the recently published *Fit for 55* legislative proposals. Given the scale of the decarbonisation challenge, it is appropriate that the revised CEEAG will apply to a more extensive range of eligible projects (with a proven, demonstrable ability to deliver the Green Deal objectives) and technologies affected by market failure. The guidelines should therefore enable Member States to support the technologies that can contribute to the achievement of their National Energy Climate Plans (NECPs) in accordance with the EU's decarbonisation targets.

Our comments on the draft guidelines relate to the sections of most relevance to the WtE industry, including:

- Cumulation of aid,

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<sup>1</sup> Environmental Protection Agency, [Ireland's Final Greenhouse Gas Emissions](#), 1990-2019, April 2021.

- Aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy,
- Aid for clean mobility,
- Aid for resource efficiency and supporting the transitions towards a circular economy,
- Aid for the security of electricity supplies,
- Aid for district heating and cooling.

## Cumulation

With regards to cumulation of aid, it is welcomed that the guidelines clearly state in **paragraph 55** that the centrally managed funding that is not directly or indirectly under the control of the Member State does not constitute State aid. Where such funding is combined with State aid, it has to be ensured that the total amount of public funding granted in relation to the same eligible costs does not lead to overcompensation (cumulation). However, in order to prevent the any unnecessary delays in the administration of funding, further guidance on the specifics of overcompensation and cumulation of aid (i.e. how this is to be assessed, reported etc.) would be helpful.

**Paragraph 69** states that in order to balance the identified negative effects on competition and trade, the Commission will pay attention to Article 3 of the Taxonomy Regulation, including the ‘do not significant harm principle’. However, it is difficult to provide comprehensive commentary on this proposal, given that the *Platform for Sustainable Finance’s [Public Consultation Report on Taxonomy extension options linked to environmental objectives](#)* is currently open for submissions. We would welcome clarifications on what “the Commission will pay particular attention to” means in terms of interlinkages between the CEEAG and the Taxonomy Regulation, and how this could be impacted based upon the Platform for Sustainable Finance’s recommendations (expected December 2021.)

Furthermore, notwithstanding the implications of linking State aid framework to the EU taxonomy while the scope of the Taxonomy is still being consulted upon, there may be unintended consequences as a result of alignment of the State aid guidelines and taxonomy frameworks. The taxonomy framework may fail to take the transitional benefits of certain technologies (that do not result in long-term lock-in effects and are in fact need to facilitate the net-zero carbon transition) into account.

## Section 4.1 Aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy

The guidelines should reaffirm the framework necessary to allow Member States to target support – when needed – to eligible technologies that not only contributes to the obligations as set out in the NECPs, but are also cognisant of specific, unique national characteristics in terms of emissions profile, all the while maintaining a level playing field in terms of the administration of State aid. This is not an easy task, and therefore the Commission must

ensure that the eligibility criteria address the decarbonisation specificities of the Member States while maintaining competition and only addressing/targeting market failures.

**Paragraph 102** discusses the risks associated with the management of the curtailment of renewable energy due to excess production or insufficient transmission. The risks associated with the curtailment of renewable energy is legislated for in EU Electricity Regulation 2019/943. While the principle of exposing beneficiaries of State aid to risks they can contribute to managing is reasonable, it is important to point out that individual generators (especially in a centrally dispatched system) have limited control on the availability of transmission infrastructure or indeed the development of transmission infrastructure. The management of transmission infrastructure is the responsibility of the TSO. Therefore, exposure and management of risks should be limited to areas within the control of the aid recipient.

### **Section 4.3 Aid for clean mobility**

CEWEP Ireland welcomes the broadening of the scope of the EEAG (2014-2020) to now include clean mobility. Given the level of ambition in the decarbonisation of transport as established by the European Green Deal, the level of support outlined in **paragraph 158** for the acquisition and leasing of clean transport vehicles will assist in shifting to zero emission vehicles such as hydrogen fuel cell buses and fuel heavy goods vehicles.

One of the most important aspects of shifting to zero emission vehicles is the deployment of recharging and refuelling infrastructure. State aid will be required to facilitate the deployment of alternative fuels refuelling infrastructure. As is accurately pointed out in **paragraph 167**, as long as the share of clean transport vehicles in operation remains limited, the market alone may fail to deliver the recharging and refuelling infrastructure needed. However, the provision of State aid alone will not be sufficient to meet the EU's decarbonisation objectives in transport. As stated in the proposal for a Regulation on the deployment of alternative fuels infrastructure (2021/0223 (COD)) the scaling up of sufficient hydrogen refuelling infrastructure is essential in order to make large-scale hydrogen-powered motor vehicle deployment possible as envisaged in the Commission's hydrogen strategy. Currently, hydrogen refuelling points are only deployed in a few Member States and there are none in Ireland. The introduction of mandatory deployment targets for publicly accessible hydrogen refuelling points should ensure that a sufficiently dense network of hydrogen refuelling points is deployed across the TEN-T core network to allow for the transition to hydrogen fuelled vehicles.

### **Section 4.4 Aid for resource efficiency and supporting the transitions towards a circular economy**

CEWEP Ireland welcomes the proposals to reflect the objectives of the Circular Economy Action Plan in the revised CEEAG.

### **Section 4.8 Aid for the security of electricity supplies**

While the proposed Guidelines largely preserve the existing rules, CEWEP Ireland welcomes the points made in **paragraph 284**, outlining the rationale for aid, especially the acknowledgement of the significant transformation taking place in the electricity sector and the potential for challenges related to ensuring the security of electricity supply.

As noted in **paragraph 285**, the section applies to rules for aid measures aimed at increasing the electricity supply including capacity mechanisms, interruptibility schemes and network reserves. However, it is important to point out that while capacity mechanisms may fall under the same umbrella as interruptibility schemes and strategic reserves in terms of ensuring security of electricity supply, there is a clear distinction between them. A *market-wide* capacity market will play a role in ensuring sufficient electricity supply minimising the distortion of competition or trade, while the other targeted instruments (strategic reserves, interruptibility schemes, network reserve) only cover a specified subset of capacity or a specific geographical region. There is an important difference in terms of scope.

#### **Section 4.10 Aid for district heating and cooling**

In Member States where there is a tradition of district heating, network ownership tends to be in the hands of municipalities/local authorities or State institutions. According to Ireland's NECP, district heating and cooling in Ireland is at a very low level and is estimated at most at about 0.8% of heat consumption.<sup>2</sup> It is expected that that Ireland's soon to be published revised Climate Action Plan will include a target of 10% district heating in buildings by 2030. With this in mind, some form of State aid, either in the form of a capital grant or some form of ongoing support, will be necessary for the construction of district heating and cooling systems in Ireland.

**Paragraph 344** recognises that State aid for heating and cooling systems using waste, including waste heat, as input fuel can make a positive contribution to environmental protection, provided that they do not circumvent the waste hierarchy. The waste heat associated with the thermal treatment of waste for district heating or cooling meets the Renewable Energy Directive's definition of "waste heat or cold" and therefore can meet the share of renewable energy in the heating and cooling sector.

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<sup>2</sup> [NECP\\_DRAFT\\_BRANDED \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)