Response to the public consultation on the revised Guidelines on State aid for climate, environmental protection and energy (CEEAG)

Brussels, 2 August 2021

The European Green Deal target to reach climate neutrality by 2050 calls for unprecedented levels of public and private investments accompanied by deep reforms. In this context, well-designed State Aid schemes will be key to unlock investments and make the best use of public funds.

As part of the ongoing revision of the Climate, Energy and Environmental Aid Guidelines (CEEAG) and the General Block Exemption Regulation (GBER), the Commission pledged to set simpler, clearer, and easier-to-apply State Aid rules for Buildings renovation programmes, in particular in the residential and social sectors. Additionally, aid to energy efficiency investments was to be simplified and enhanced, as announced in the Sustainable Europe Investment Plan and in the European Green Deal Investment Plan.

The European Alliance to Save Energy is happy to provide its feedback on the revised CEEAG. Energy efficiency is the bedrock of a decarbonised EU energy system: energy efficiency gains are essential to achieve the increased GHG emission target reduction of 55% by 2030 and full decarbonization by 2050. In its current form, the CEEAG insufficiently supports the uptake of energy efficient measures and exposes the EU to the risk of missing its GHG reduction target for 2030 and 2050.

Here below we have summarised our four suggestions for improvements.

1. Assess all measures against the Energy Efficiency First principle

The Energy Efficiency First (EE1st) principle is a key pillar of the Energy Union, it is the guiding principle for European climate policies and energy governance and it has now a legal basis in the Commission's proposal to revise the Energy Efficiency Directive (EED)[1], which introduces the much needed obligation to apply the principle for any decision carried out in the energy and non-energy sectors. In addition the EED proposal excludes from the accountability of energy savings under Article 8 (ex article 7), the savings resulting from switching to more energy-efficient products if the underlying technology still relies on direct fossil fuels.

Recommendation: Based on the above, we recommend to enshrine the EE1st principle in the CEEAG, and ensure that energy efficiency solutions are systematically taken into account, through cost-benefit analysis, when designing state aid schemes.

[1] Article 3 of the Proposal for a Directive of the European Parliament and of the Council on energy efficiency (recast), COM(2021) 558 final 2021/0203 (COD)

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2. Level the playing field in aid intensity for energy efficiency measures (CEEAG Annex 1 and Art 38 GBER)

The European Union cannot achieve its decarbonisation goals for 2030 and 2050 without significantly reducing its energy demand. Energy efficiency is a precondition to the successfull and fast transition to renewable energy sources. The uptake of energy efficiency measures therefore must be brought to the same level of aid intensity foreseen for renewables.

Recommendation: In line with the Energy Efficiency First principle and to promote the necessary synergy between energy efficiency and renewable energies in the CEEAG, the maximum aid intensity for energy efficiency should be levelled with aid for renewable energies (i.e. 65% for small enterprises, 55% for medium-sized enterprises, and 45% for large enterprises) and increased to 100% if the aid is allocated according to a bidding process.

3. Simplify the definition and methodology to determine cost eligibility (para. 125 and Art 38 GBER)

Calculating eligible part of the incurred costs, defined as "investments directly linked to the achievement of a higher level of energy efficiency or environmental performance" is too complicated to be used in practice. It is even more challenging in case of complex forms of ownership and contracting models. As long as necessary accompanying investments remain non-eligible, split incentives will dramatically limit the total state funding for energy efficiency measures and with it the rate of renovation, especially in the rental and tertiary sectors.

Recommendation: The revised guidelines should simplify requirements on eligibility costs and take the "no renovation" scenario as the baseline scenario. The eligible costs should explicitly include the total costs of the renovation if it contributes to the progress in at least one of the following areas, in line with the European Regional Development and Cohesion fund regulation adopted by the European Parliament:

(i) promoting energy efficiency measures;
(ii) promoting renewable energy;
(iii) developing smart energy systems, grids and storage at local level;
(iv) promoting climate change adaptation, risk prevention and disaster resilience;
(v) promoting sustainable water management;
(vi) promoting the transition to a circular economy;
(vii) enhancing biodiversity, green infrastructure in the urban environment, and reducing pollution.

4. Provide clear guidance on current State Aid rules with a practical approach

Raising awareness about how to design programmes excluded from State Aid will simplify and accelerate the implementation of energy efficient projects. This is particularly needed in the case of complex ownership and contracting models that involve professional landlords, commercial real estate owners, and energy service companies (ESCos). Being proactive in providing clear and practical guidance on how to develop compliant State

Aid schemes will help Member States seize the potential of the new mechanisms and rules, and efficiently steer funds towards the intended objectives.

Recommendation: Adopt practical-oriented official guidance, backed by concrete examples, i.e. as done for the guiding template for energy efficiency in buildings linked to the Recovery and Resilience Facility (RRF). These guidelines shall draw examples from existing and validated schemes, such as the German Support Scheme (BEG) and serve as practical support for other national governments. For instance, the BEG fulfilled the non-selective criteria by being open to all kinds of building owners, types, ESCos, and providing a comparable level of support to all applicants and was therefore excluded from State Aid rules.

About us

The European Alliance to Save Energy (EU-ASE) is a cross-sectoral, business led organisation which aims to ensure that the voice of energy efficiency is heard across Europe. EU-ASE members have operations across all the 27 Member States of the European Union, employ over 340.000 people in the EU and have an aggregated annual turnover of €115 billion.