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EuLA Position on the European Commission (EC) public consultation revising the Climate, Energy and Environmental Aid Guidelines (CEEAG)

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 are **cost-effective** and **not causing distortions of competition**. Through national support, EEAG are key to ensure the transition of the EU Industry towards a net zero economy. The current guidelines [\(2014/C 200/01\)](#) apply from 1st July 2014 until 31st December 2020, while on 7th January the EC announced its **extension** by two years **until 2022**. Within this paper, EuLA aims to contribute to the on-going consultation on a draft version of the guidelines, open for feedback until the 2nd of August.

Definitions (Chapter 2.4)

EuLA considers two definitions as problematic:

- The definition of “CCU” is not correct: as stated now, it is unclear whether an industrial installation which is not intended to produce energy, but for instance to produce lime, is included in this definition. Moreover, and even more importantly, the **capturing of process emissions does not seem to fall under this definition**. For instance, in the case of (renewable) electrical kilns, the combustion CO₂ would be zero, but there would always be process emissions as these are unavoidable in the lime production process.
- The “CO₂ removal” definition (Ep 16) excludes natural CO₂ uptake not directly caused by human activities. A clear definition of “human activity” shall be further envisaged by the policy maker, where **both natural & enhanced carbonation** shall be considered as CO₂ removals, and thus entitled to benefit from State Aid. A harmonised definition of CO₂ removals throughout all EU legislative files would be also desirable

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

EuLA 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 lime sector. In this sense, EuLA has recently commissioned a literature review on robust data on carbonation rates in various lime uses. The findings of this study show that on average 33% of unavoidable process emissions emitted during production are captured using lime in various applications. This is a **first step** to better understand the total carbon balance of the lime cycle and to identify how to improve the removal of carbon from the atmosphere, using lime-based products. **Specific provisions supporting carbon capture and utilisation, carbon transport and infrastructures, e-fuels deployment and mineralisation are essential** to further look into this type of research and to further contribute to capture, storage and valorise the CO₂ emissions in energy intensive sectors. In parallel, EEAG should encourage energy efficiency and reduction of energy demand through recognition and support of e-fuels.



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

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 activity¹ 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. Even if the EU Commission has recently released and [explanatory note on sector eligibility under section 4.11 of the draft CEEAG](#), we consider these newly created thresholds as not aligned with empirical data justifying this selection. On the contrary, the “EEAG revision support study²” commissioned by the European Commission, clearly indicates that “**trade intensity and energy intensity matter for employment and competitiveness**, confirming the relevance of these parameters for the EEAG.” (page 82); while also mentioning cases of “**strong positive relationship between trade intensity and the vulnerability due to carbon price**” (page 87). The need to protect energy intensive sectors for electricity levies is even more relevant under the recently adopted EC proposal for a Carbon Border Adjustment Mechanism (CBAM), where only direct emissions would be covered³. Taking into account all these considerations, **we strongly call DG COMP to bring back the former 4% threshold for trade intensity.**

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.**

EuLA, the European Lime Association, represents about 95% of the European non-captive lime production through its 23 covered Member States (companies & national associations). The European lime sector operates around more than 160 sub-installations (plants) in the EU, producing a total of more than 22 million tons of lime and dolime (2019). Lime is an essential but often unseen ingredient, which possesses many applications for downstream industries. As a strong “enabler”, lime is used from steel to water treatment and pharmaceuticals, environmental protection, glass and paper industrial processes, in the construction and civil engineering and in agriculture.

¹ 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%.

² European Commission (2021): EEAG revision support study. Final Report Prepared by DiwBerlin, ECAeconomics, Lear, SheppardMullin & University of East Anglia. Available at: https://ec.europa.eu/competition-policy/system/files/2021-06/kd0521173enn_EEAG_revision_2021_0.pdf (Accessed on 22 July 2021).

³ « 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 \(COD\)](#).