Skogs Industrierna
SWEDISH FOREST INDUSTRIES FEDERATION

Stockholm 8/1/2021

Swedish Forest Industries Federation response to the public consultation on the revised Climate, Energy and Environmental Aid Guidelines

The Swedish Forest Industries Federation represents companies that use forests to provide the raw materials for their products and services. This includes producers of pulp, paper, cardboard, packaging and biofuel. Similarly, sawmills producing all sorts of boards, planks, roof trusses and other prefabricated construction elements are also included.

The paper and pulp industry is energy intense and supply of energy to a competitive cost is essential for the competitiveness of the Swedish forest industry. We fully support the objectives of the European Green Deal and we are strongly supporting the goal of reaching net zero greenhouse gas emissions by 2050.

Our industry is characterized by investments that long for decades, why retroactive rules must be avoided as this would undermine the system as a whole.

We welcome the possibility to respond to the public consultation on the revised Climate, Energy and Environmental Aid Guidelines. Our response focusses of the following chapters:

1. Aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy
2. Aid for the security of electricity supply
3. Aid in the form of reductions from electricity levies for energy-intensive users

Swedish Forest Industries Federation key messages for the revised Climate, Energy and Environmental Aid Guidelines:

Aid in the form of reductions from electricity levies for energy-intensive users

The pulp and paper industry in Sweden is a large prosumer and produces almost 6 TWh electricity with high efficiency biofueled CHP. The current wording in point 107 makes it impossible for the industry to predict the return on investment in energy efficiency. Increasing volumes of renewable production curtailment would result in less support to on-site cogeneration (CHP) and weakening the business case for this energy-efficient technology without any real benefit for renewable electricity deployment. This on-site cogeneration brings energy savings for the energy system as a whole. It serves to meet the heat demand of our industry, while electricity is a by-product. It does not intend to displace other renewable electricity generation.

Recommendation:
Point 107: Removing the following words “For example, where cogeneration based on non-renewable sources is supported, or where biomass is supported, they must not receive incentives to generate electricity or heat at times when this would mean zero air pollution renewable energy sources would be curtailed.”

Aid for the security of electricity supply

SFIF is pleased that the aid measures aimed at increasing the security of the electricity supply can be supported. For facilitating the system electrification, the capacity mechanisms and interpretability schemes for dealing with long and short-term security of supply are important.

However, it needs to be ensured that the industrial on-site electricity generation from renewable energy sources such as biomass or renewable gases which voluntarily provides flexibility to the grid can be eligible for aid.

Recommendation:
Point 318: Change the wording from "that would displace less polluting forms of energy" to "based on non-renewable sources when delivered to the grid"

Aid in the form of reductions from electricity levies for energy-intensive users

Where possible, it is important to remove differences of interpretation of the Guidelines between Member States to ensure harmonised implementation. The Commission should not consider a minimum level of costs per MWh of the concerned levies in absolute terms. A minimum level would not be advisable as the beneficiaries' contribution is expressed in relative terms.

Recommendation
Point 356: Remove the minimum cumulative level per MWh of the concerned levies. Levies have increased since the introduction of the last Guidelines. Therefore, the proposed increase of percentages relative to levies or relative to GVA seems not reasonable. The draft Guidelines may prove counterproductive to the investments in electrification technologies.

A higher level of industrial electrification could be ensured by maintaining the current provisions for ensuring that the aid is proportionate. It is worth noting that current levels of levies and taxes and CO2 price as an upcharge in the commodity price are the main obstacle for further use of electricity in those applications in energy-intensive industries that are potentially electrifiable.

Recommendation:
Point 359: The aid is considered to be proportionate if the aid beneficiaries pay at least 15% of the additional costs without reduction.

Point 360: The Member State may limit the additional costs resulting from the electricity levies to 0.5% of the gross value added (GVA) of the undertaking concerned.

SFIF believes that the beneficiary's obligation to "conduct an energy audit within the meaning of Article 8 of Directive 2012/27/EU. [That] can be conducted either as a stand-alone energy audit or within the framework of a certified Energy Management System or Environmental Management System" is sufficient to ensure that the aid is granted to projects with clear potential for carbon savings.

According to the Energy Efficiency Directive, energy audits are already supposed to facilitate energy savings. They are to draw a reliable picture of overall energy performance and the reliable identification of the most significant opportunities for improvement.

By removing additional conditions, gather flexibility for the industry to invest in a variety of site-specific innovative technologies to reduce carbon emissions is ensured. The unnecessary administrative burden can also be avoided. It needs to be considered that companies would potentially need to conduct detailed assessments of specific types of state aid granted and which of the company's investments were made explicitly to fulfill the proposed requirements.

Last, but not least, as the aid is granted in form of a reduction on levies (namely an eligible company does not directly receive any funds), this enterprise cannot invest any share of this amount in any projects.

Recommendation
Point 365. Remove this point completely.

Kind regards,

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