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European Commission Directorate-General for Competition

Units B2, B3, H2

**BDE Feedback concerning the
Public consultation on the revised Climate, Energy
and Environmental Aid Guidelines (CEEAG)**

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The BDE, the Federal Association of the German Waste Management, Water and Raw Materials Industry, welcomes the opportunity to comment on the draft of the revised Climate, Energy and Environmental Aid Guidelines (CEEAG).

As Germany's and also Europe's largest national association of the private waste management sector, representing the whole waste management chain, the BDE strongly supports the Green Deal and the implementation of the Circular Economy Action Plan. We believe that state aid policies need to be adapted to meet the challenges posed by climate change and the ambitious environmental goals of the European Union in a socially just and economically effective way. This is all the more true in the context of the economic recovery measures that have become necessary in the wake of the Covid pandemic and which will partly fall within the scope of the CEEAG. Here it is imperative that the CEEAG serve the objectives of the Green Deal and the Circular Economy Action Plan and in any case do not contradict them.

BDE is particularly concerned with the fact that the recycling sector is not listed among the activities eligible for aid in the form of reductions from electricity levies for energy-intensive users (under section 4.11 and related list in Annex I to the guidelines). In compliance with the rationale for aid under section 4.11.1, the recycling sector plays a key role in our economy, notably in achieving the objectives of the new Circular Economy Action Plan and, more generally, of the Green Deal, by turning waste into resources and by entailing significant "avoided emissions" compared to manufacturing from primary raw materials. This is particularly relevant as the recycling sector is currently included in the list of energy-intensive users eligible for reductions from electricity levies under NACE code 3832 (Annex III to EEAG).

With specific regard to the objectives mentioned above and to the current eligibility status granted to our sector, **we urge the European Commission to reconsider the list of sectors included in Annex I.** If the recycling sector is not included in the list contained in Annex I contrary to the manufacturing sector, this will lead to (1) a lack of level playing field between manufacturing and recycling activities as far as state aid for energy costs is concerned, and (2) the lack of incentivisation for the incorporation of recyclates vs raw materials deriving from more energy-intensive manufacturing processes.

Under the current draft, recycling companies **that are at the very core of the transition towards more circular economies and that would fulfil the minimum threshold on which electro-intensity is calculated, would fall outside the scope of the new list. The unintended consequences of these changes will weigh heavily on the recycling sector,** notably by critically affecting recycling operators' competitiveness vis-à-vis other industry players (i.e., manufacturers of virgin materials). It is thus crucial that the guidelines are rectified as to avoid negative effects on the recycling sector.

Additionally, to ensure the transition towards a more circular economy, we believe that **the guidelines should ensure a level playing field between the production of secondary raw materials and recyclates**. In line with section 3.2.2 of the draft guidelines and to avoid potential distortive effects, a proper assessment on the role state aid can play with regard to activities directly competing with recycling, notably manufacturing of primary raw materials, is essential.

Concerning point 204 and in particular the corresponding footnote 84 under section 4.4.4 we would like to point out that two further factors should be taken into account.

References to the reduction of greenhouse gases and energy efficiency must also be included here in order to prevent extremely energy- and emission-intensive processes from being favoured over a functioning and economically viable practice.

*“From a technological perspective, it may for instance be appropriate to verify whether the planned investment would lead to a higher degree of recyclability or to a higher quality of the recycled material, **while reducing GHG emissions and being more energy-efficient**, as compared to normal practice .”*

We would also like to point out a linguistic inaccuracy in the German translation of the word "correspond" in paragraph 204 which changes the meaning of the paragraph.