



2 August 2021

Bündnis faire Energiewende (BfE)

Statement on the draft of the Climate, Energy and Environmental Aid Guidelines (CEEAG 2022) of the EU Commission

1. Introduction

The current State Aid Guidelines on Environmental Protection and Energy (EEAG 2014) allow Member States to finance environmental protection and green energy projects as well as adequate energy production in a cost-effective and non-distortive way. They entered into force in 2014 together with the revised provisions of the General Block Exemption Regulation (GBER) and will continue to apply until 31 December 2021 after a one-year extension.

The revision of these State Aid Guidelines and the renaming to "State Aid Guidelines on Climate, Environment and Energy (CEEAG 2022) come against the backdrop of the required green and digital transformation of the economy, in particular the European Green Deal, which aims to transform the EU into the first carbon-neutral, circular and pollution-free economy by 2050.

There were also a number of other regulatory proposals (notably the Clean Energy Package, the Clean Mobility Package, the Circular Economy Package and the EU Taxonomy Regulation) which, according to the European Commission's Fitness Check, will be taken into account in the upcoming revision of the Guidelines.

2. General demands

The European Single Market is one of Europe's most outstanding achievements - a functioning Single Market is the basis for economic growth in Europe and the prosperity of its citizens.

The primary objective of EU competition rules, including EU state aid control, is the smooth functioning of this internal market. State aid rules aim to prevent unlawful state support measures that may lead to preferential treatment of certain companies or sectors, thereby distorting competition and affecting trade between Member States. The Bündnis faire Energiewende is committed to the principles of EU competition law and the economic constitution.

Social, economic, geopolitical and technological changes constantly pose new challenges to EU competition policy and EU state aid law. Such new developments make adjustments to the current set of instruments necessary in order to remain effective and to realise overarching policy objectives of the Union, such as the European Green Deal. It is therefore necessary to define reliable, rule-based exceptions to the fundamental EU ban on state aid in the new climate, environmental and energy aid guidelines, which can meet the Herculean task of the transition to climate neutrality in a fair, cost-efficient and technologically open manner.

CEEAG 2022 must be sufficiently broad and flexible so that it can

- reliably accompany European companies in this historic transformation,
- stimulate the technological modernisation of the industry, and
- bring sustainable climate, environmental and energy innovations and technology solutions for the realisation of the new climate goals quickly to the market, as these do not emerge from the market in this way today.

Against this background, the Bündnis faire Energiewende welcomes the fact that the new CEEAG draft intends to declare further important climate protection instruments eligible for aid and, to this end, extends the scope of application

- to new areas (such as hydrogen, the reduction and avoidance of emissions from industrial processes, clean mobility, buildings, the circular economy or biodiversity),
- to all technologies for achieving the Green Deal goals, and
- to new instruments (such as carbon offset contracts and the inclusion of operating cost support under certain conditions).

Nevertheless, the requirement to examine all state aid in the climate protection sector means very considerable administrative hurdles and time delays and thus a major obstacle to rapid investment in climate-protecting technology. In the sense of the rapid transformation process called for by the Green Deal and the EU's climate protection goal for 2050, it is therefore to be demanded in principle that state aid for climate neutrality in the broadest sense be removed from the regime of state aid control.

A temporary exemption for climate protection measures in the broadest sense (expansion of renewable energies, subsidies for infrastructure expansion, energy efficiency investments or the replacement of smelting aggregates), for example in the form of a blanket approval without review, would eliminate the constant, very time-consuming and

always uncertain outcome of state aid reviews and allow the greatest possible freedom of design in terms of climate protection.

3. Demands concerning the "aid in the form of reductions in electricity charges for energy-intensive enterprises" (aid group 4.11)

Burden limitations, such as on the EEG levy in Germany, are of crucial importance for the global competitiveness of energy-intensive companies in the transition to climate neutrality. However, the chosen approach in this aid group to reduce protection against cost overcharging contradicts the goal of strengthening climate protection through further electrification, for which competitive electricity prices are a mandatory precondition. In addition, the capacities of energy-intensive companies to generate the necessary capital for investments in climate-neutral processes from existing business models would be restricted.

Overall, the draft fails to recognise that due to the stricter climate protection targets of the EU, not less but more carbon leakage protection for companies in the EU is necessary in the medium term. This protection must apply until comparable measures have been introduced in other regions of the world that are in economic competition with the EU. Otherwise, the EU may achieve the goals it has set itself, but it will not contribute to global climate protection and will destroy its industrial base at the same time.

We therefore reject the far-reaching modifications in aid group 4.11 and demand that the existing guidelines and already existing aid approvals based on the existing environmental and energy aid guidelines keep maintained for the time being.

Specifically, the Bündnis faire Energiewende criticises the following points:

- The drastic reduction of the list of vulnerable sectors (RN 357, Annex I) compared to Annexes 3 and 5 of the Environmental and Energy Aid Guidelines still in force – no justification is provided for this far-reaching proposal. In addition, the possibility of RN 186 under the existing 2014-2020 Guidelines that a Member State may, under certain conditions, take a company into account in its national scheme, even if the company is not located in one of the sectors listed in the Annex, has been deleted.
- The new criteria for list membership (RN 353) remain non-transparent – the suitability of the criteria cannot simply be asserted, but must be proven.
- Fixed monetary limits can never be practical, as they do not do justice to the different sizes of enterprises (RN 356).
- The tightening of the values for trade intensity and electricity intensity and the intransparency of the requirements for the verifiability of trade or electricity intensity (RN 357) – here the draft lacks a scientific basis, too. The recourse to a data basis from the years 2013 – 2015 is hardly convincing.
- The increase of the future deductible from 15% to 25% of the costs from the electricity levies, which the Member State has included in its regulation, combined with the capping of the costs only at 1.5% of the gross value added of an enterprise instead of up to 0.5% as before (RN 359, 360, 361). This would further weaken the companies in international competition and possibly jeopardise their survival.
- The principle of providing compensation for necessary electricity cost reductions (RN 364 ff.) – the purpose of the aid is to protect against cost overload and loss of competitiveness. To make the saved expenses immediately the subject of investment

obligations again counteract this protection and is therefore to be rejected.

- An impact assessment of the proposed changes in aid group 4.11 is completely missing. This impact assessment must be carried out urgently.

Let it be repeated: With the tightening of the EU climate targets under the Green Deal, more carbon leakage protection will become necessary instead of less, as long as internationally comparable ambitions and measures are not implemented. Otherwise, the EU may achieve its own climate targets, but it will not contribute to global climate protection, but will lose companies and jobs.

However, the migration of European companies must be prevented primarily in the light of the Green Deal objectives themselves, since migration would not lead to the emission reductions pursued by the Green Deal, but at best to emission shifts, but much more likely to an increase in global CO₂ emissions.

The Bündnis faire Energiewende therefore proposes to initially maintain the existing guidelines and already existing state aid approvals on the basis of the existing environmental and energy state aid guidelines. This must apply at least until the above-mentioned points of criticism have been eliminated.

The following new RN should be added to Chapter 4.11 of the CEEAG draft with regard to existing aid authorisations:

"(RN new) Authorisations for aid in the form of a reduction of electricity charges for energy-intensive enterprises granted on the basis of the Environment and Energy Guidelines 2014–2020 prior to the publication of these Guidelines may be maintained for the period of validity specified in the authorisation."

The "Bündnis faire Energiewende" includes:

- Bundesverband der Deutschen Gießerei-Industrie BDG, www.bdguss.de
- Bundesverband Keramische Industrie e. V., www.keramverbaende.de
- Bundesverband der Energieabnehmer e. V., www.vea.de
- Gesamtverband der deutschen Textil- und Modeindustrie e. V., www.textil-mode.de
- Gesamtverband Kunststoffverarbeitende Industrie e. V., www.gkv.de
- wdk Wirtschaftsverband der deutschen Kautschukindustrie e. V., www.wdk.de
- WSM Wirtschaftsverband Stahl- und Metallverarbeitung e. V., www.wsm-net.de
- Deutsche Feuerfest-Industrie e. V., <https://dfffi.de/>

The associations in the "Bündnis faire Energiewende" represent about 10,000 German companies with about one million employees and most recently about 200 billion euros in annual turnover.

Find out why small and medium-sized industry needs fair energy prices at faire-energiewende.de

FAIRE ENERGIEWENDE