

To:

EU Commission – DG Competition

### **HEAL comments on the draft Climate, Environment and Energy Aid Guidelines**

The Health and Environment Alliance ([HEAL](#)) is a leading not for profit alliance of over 90 member organisations working for better health through a healthier environment.

HEAL welcomes the opportunity to comment on the draft Guidelines on State aid for climate, environmental protection and energy 2022.

The environment is a major determinant of people's health. The World Health Organization (WHO) [estimates that 20% of all death and disease](#) in the European region is related to environmental pollution and degradation. This is not considering [climate change](#) as another major health determinant, and the greatest threat to public health of the 21<sup>st</sup> century.

In addition, each form of energy generation has [health impacts, minor or major ones](#); and the science is clear that coal power generation is the most health-harming form of energy generation (with direct health impacts from pollution and indirect health impacts through fuelling climate change).

Thus, state aid for climate, environment and energy also has to be considered in the context and with the goal of protecting the health of people in the EU.

#### **Strengthening the zero pollution objective through state aid**

HEAL welcomes that the DG Competition is currently reviewing EU competition policy and state aid rules with a view to aligning them with the EU Green Deal.

The comprehensive and integrative approach of the EU's Green Deal should also be applied to the state aid framework, by changing the approach from one that focuses on the internal market functioning to a framework that places environmental and health protection, and reaching the Paris Agreement goal of limiting global warming to 1.5 degrees on an equal footing with market considerations. This should be reflected in the definition for the positive and negative conditions for state aid.

The revised state aid guidelines should work towards reaching all objectives and commitments of the EU Green Deal. While we welcome the focus on decarbonisation in the draft CEEAG, we consider it essential that the guidelines also facilitate and accelerate reaching of the EU's zero

[pollution objective \(and action plan\)](#). Zero pollution considerations should therefore be inserted across all areas in the guidelines, and a definition of zero pollution should be included.

### **Ending subsidies for all fossil fuels, including fossil gas**

The guidelines consider a range of activities in the energy, buildings and transport sector. The aim of the Commission to place strict criteria for state aid for gas infrastructure becomes clear and is a step in the right direction. However, from a health perspective, no state aid should be allowed for the development of fossil gas infrastructure, including for the conversion of former coal power plants.

The framing of gas as less polluting creates a false sense of fossil gas as a healthy energy alternative, and the distinction in the draft guidelines between more and less polluting are not science-based. While the health burden of gas extraction and combustion is lower than that of coal, there is nevertheless a significant health cost. In addition, one has to consider the release of methane in fossil gas use, which is a more powerful climate forcer than CO<sub>2</sub>, leading to short and medium health impacts through climate change. State aid for any fossil fuel will create negative externalities, and is thus not beneficial for society.

Fossil gas is not a transition fuel, and EU taxpayers money should not be used for a fossil fuel that harms health. Every Euro invested in fossil gas means less investment into energy savings, efficiency and renewables.

In addition, subsidizing fossil gas infrastructure is contrary to the EU Green Deal objectives, namely the zero pollution ambition, and would not help for the EU to reach the Paris Agreement. The European Parliament recently called for phasing out of all direct and indirect fossil fuel subsidies by 2025, and the G20 have long committed to ending these harmful subsidies.

More recently, [in a landmark report](#), the International Energy Agency has underlined that all investment into new fossil fuel infrastructure has to end immediately, if we are to reach the 2050 objective of climate neutrality.

With the new state aid guidelines it has to be ensured that there is no pollution lock-in, and thus those energy generation forms and economic activities should be prioritised which help to achieve the strongest pollution prevention and reductions, in the short and long term.

## State aid for the closure of coal plants

The below comments only relate to the criteria for the closure of coal plants.

Coal power generation is the most polluting and health-harming form of energy generation and has created huge environmental (and health) externalities. A [2013 first-ever assessment](#) by HEAL estimated health costs of up to 42 billion annually. Thus we are highly critical of “compensation” payments to operators for an activity with such a high health burden, that had and has to be shouldered by society.

The criteria put forward in the draft CEEAG are not strict enough to ensure that all other means are exhausted before such compensation payments take place, and risk letting operators “off the hook” when it comes to paying for environmental and health externalities.

The following criteria and considerations should be mandatory:

- The cumulative negative environmental and health externalities need to be factored into the setting of the compensation amount
- Aid should only be granted when a coal phase out date of 2030 has been set, not for any closures afterwards. The current guidelines leave the risk that state aid could be granted for phase out after this date, which would be against the EU’s climate goals and to reaching the Paris Agreement. In addition, it is highly doubtful that any coal plant would still be profitable after that date, when many are already unprofitable today.
- Aid should be degressive, to provide a greater incentive to close earlier, and by 31 December 2029 at the latest.
- The aid can only be for a definite closure, not for a conversion to gas or biomass generation, and the plant can’t be kept in the capacity market.
- Aid needs to be tied to the zero pollution objective: In order to receive aid, and until the closing date, member states have to ensure that operators stick to the most strict emission standards and use the most pollution-reduction technologies in order to reduce the pollution burden as much as possible. Germany is currently a negative example, from which to learn, as the country has set an inadequate phase out date, foresees compensation payments, and the government has proposed a weak implementation of the EU’s Industrial Emissions Directive BAT standards. This results in overcompensation for the operators and a continued market failure with higher environmental externalities than necessary.
- Support received under other EU funds need to be taken into account, for example rescue and restructuring aid.
- Member states should submit a closure plan to see how the aid will accelerate the phasing out of coal power generation.
- When calculating foregone profits, all existing liabilities and obligations towards workers have to be taken into account. The priority should lie on Just Transition for the workers and

the communities/regions, and a Just Transition plan needs to be in place before compensation can be granted. Calculations also need to consider costs saved through early closure.

- It cannot be assumed that a coal plant is profitable until the end of its lifetime.

### **Ensure the public has a say in all activities covered under the CEEAG**

We welcome the Commission's requirement for public consultations for certain activities in the guidelines.

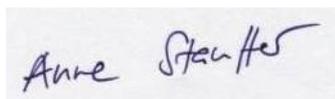
However, with a view that state aid is about distributing public/taxpayers' money, and with a view to consistency, public consultations need to be foreseen for all CEEAG areas, especially for areas 4.5 on pollution reduction and 4.12. on the coal phase out.

These consultations cannot be replaced by other consultations legally required or foreseen, for example as part of environmental impact assessments. However, member states could combine such consultations.

No derogation should be allowed for a member state to drop a public consultation.

We would be happy to respond to any questions and provide further information.

Regards,



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