



St1 Nordic Oy
PO Box 100
00381 Helsinki, Finland

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To: DG Competition, Unit B3 Markets and cases I: Energy and Environment

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Response to the DG Competition consultation on the Prolongation of the State aid Regulations and Guidelines reformed under the State aid modernisation (SAM) package and expiring by the end of 2020

St1 Nordic Oy appreciates the opportunity to comment on the announced intention of the Commission to extend the validity of the State aid rules reformed under the State aid modernisation ('SAM') package until December 2022.

Paragraph 113 of the Guidelines on State aid for environmental protection and energy ('the Energy and Environment Guidelines') currently states that no operational support can be given to crop-based biofuels beyond 2020. **If the validity of these Guidelines is extended to 2022, it is important that the 2020 deadline for operational support to crop-based biofuels in paragraph 113 is also extended until December 2022.**

Continued support for sustainable pure biofuels, such as ED95, is needed to achieve the decarbonisation of heavy-duty transport in Europe. These biofuels achieve significant CO₂ and particulate emissions reductions compared to fossil alternatives and other first-generation biofuels and are produced by European industry.

A prohibition of support to any biofuels that include crop-based feedstocks would contradict the target of the revised Renewable Energy Directive and would hinder the achievement of EU and Member state level decarbonisation targets derived from Effort Sharing Decision. It would also be inconsistent with the revised Clean Vehicle Directive which promotes the uptake of vehicles running on pure biofuels such as ED95 through their inclusion in the definition of 'clean vehicle'.

A 2-year gap in support between 2020 and the expected adoption of revised Energy and Environment Guidelines in 2022 would significantly disrupt the market for European pure bioethanol transport fuels. European production of these sustainable biofuels would stop as producers would not be able to compete with fossil fuels given the disadvantage under the current tax regime under the Energy Taxation Directive. The production of trucks that can run on bioethanol would be likely to cease, as it would become too expensive to run these vehicles. Consumer choice for low carbon transport options would be reduced, adversely impacting the ability of industrial consumers to decarbonise their operations. Investment in pure bioethanol fuels and advanced biofuels and related technologies would be discouraged.

All this will severely hamper the likelihood of achieving the EU and national decarbonisation targets in the area of heavy-duty transport, including the 14% target for renewables in transport by 2030 under the revised Renewable Energy Directive.

We therefore ask the Commission to amend the Communication on the extension of the validity of the State aid rules to provide for a corresponding extension of the 2020 limit for operational support to crop-based biofuels under the Energy and Environment Guidelines until December 2022.

Sincerely,

St1 Nordic Oy

Mika Aho

Director, Public Affairs