

Public consultation on draft ETS State aid Guidelines

PORTUGAL

Introduction

We agree that EU ETS has been the main driver for the European industry and power sector to reduce greenhouse gas emissions. Phase IV of the reform of EU ETS system has resulted in a more robust price signal for carbon price.

The ambition contained in the European Ecological Pact (Green Deal) in terms of decarbonization of the economy should be accompanied by the same ambition in creating conditions that guarantee the competitiveness of the industry.

Portugal believes that these guidelines should find a way to consider the regional specificity and the starting point of each region. Therefore, the guidelines should consider both parameters, intensity of trade and indirect emissions, from a regional point of view. We consider that there are sectors outside the scope of the current proposal that are especially affected by the rise in CO₂ prices, for example that of industrial gases. These sectors should be part of the beneficiaries so that their continuity is not jeopardized, or their competitiveness diminished against third countries.

In general, the industrial sectors in which the European Green House Gas Emission Licensing Trade (these are, as a rule, energy-intensive sectors and therefore sensitive to the energy transition required) applies are among those with the highest exposure to international competition. They are therefore vulnerable to the value of the carbon price as well as to possible rigidity of State aid rules, and the risks arising from their interaction with sectors subject to carbon leakage must also be considered.

The objective of reaching net-zero greenhouse gas emissions will be accompanied by certain challenges such as, for example, a stronger electrification of industrial processes.

Specific Comments on draft EU ETS guidelines

Scope of application

The scope of support should take into consideration the different types of electricity consumption of the eligible sector installations (e.g. coal, gas and renewables).

The list of eligible sectors should consider the growing costs related to the use of electricity, as more energy-intensive companies will progressively switch from fuel to electricity and other low-carbon energy sources.

We welcome the Commission's position on the possibility of including other sectors.

Aid amount calculation formula

We agree with the industry position that a review is necessary because electricity consumption benchmarks and the evolution of the power market, based on current data, should be considered.

This compensation should be granted based on previous year's production data.

Harmonization

A harmonized EU-wide indirect investment and carbon leakage protection mechanism should be introduced to create an intra-EU level playing field.