

TARGETED MODIFICATION OF GBER TO SIMPLIFY STATE AID RULES COMBINED WITH EU FUNDING PROGRAMMES

Enel Group answer to the EC's public consultation on a targeted review of General Block Exemption Regulation (GBER) to extend its application to national funds

Enel Group, as a multinational energy company headquartered in Italy strongly committed to the decarbonization of the energy sector, welcomes the targeted review of the General Block Exemption Regulation (hereinafter 'GBER') as well as the relaunch of sustainable investments in a post-COVID era. By supporting, the simplification of the procedures to receive State aid combined with EU support, we believe that the European Commission facilitates the EU to achieve its 2030 climate and energy targets at minimum cost. Moreover, it has the potential to boost both a just transition and a green and digital oriented post-COVID economic recovery, since there is evidence that available EU and national funding is not being fully used in the last decade. This is of particular relevance in the current framework to tackle the economic consequences of the coronavirus outbreak in order to facilitate that EU funding of the economic recovery plan can quickly reach the companies operating in EU avoiding competition distortions.

This is a positive step, however the target GBER could be more ambitious on the operational functioning of the extension of its application under a limited set of conditions to national funds.

Enel strongly supports that the European Commission is facilitating the EU and national funding of smart grid projects under the new reviewed GBER. To make the energy transition possible, national and EU funds have been made available to finance the development of energy infrastructure. However, it has been shown that the available funding is not fully used, in particular as regards electricity grids. To increase access to current and future funding mechanisms, a review of current state aid rules in relation to electricity infrastructure should be a priority. To this end, the geographical limitations contained in the GBER should be removed for energy infrastructure development projects such as electricity grids, since it seems disproportionate to require Member States to undergo a notification procedure even for small amounts of aid in non-assisted areas, considering that huge investments in electricity infrastructure are needed to make the transition to a low carbon economy possible, as required by EU policies.

Although energy infrastructures are needed to make possible the transition to a low-carbon economy, investments in electricity infrastructures bring about positive effects that are more widely disseminated among all sectors of the economy if compared to investments in gas infrastructures. The definition of energy infrastructures encompasses infrastructures in the electricity and gas sectors.

Upgraded electricity networks, for example: (i) allow households to manage energy consumption more efficiently, (ii) make possible to cope with the increased energy demand from electric vehicles, (iii) allow the integration of renewable energy sources in the network, including energy from distributed generation by households, (iv) make possible the development of new services for both households and large consumers, including demand response and other services that require a flexible and interconnected electricity network; (v) increase resilience of the energy system against critical weather events and emergency situations.

Although there is no obvious justification for divergent guidance depending on whether public financing relates to gas or electricity infrastructures, should the experience acquired by the Commission with gas infrastructures be insufficient at this stage, it would be appropriate to limit its guidance to electricity networks due to its specific characteristics.

Aid for the repowering and revamping investments of existing RES plants are also appropriate. In the coming years a substantial share of energy could derive from the efficiency and/or enhancement of existing renewable resources, with a consequent reduction of environmental impact and soil consumption.

Repowering projects have the potential to achieve more than two times RES production vs existing plants, thanks to more advanced technology ensuring higher efficiency. Thus, they are critical for the achievement of RES targets while avoiding the use of additional lands to install new RES capacity.

For example, the Italian National Energy and Climate Plan (NECP) sets important targets for the growth of renewable capacity installed in Italy by 2030, for around 10 GW from wind power plants and around 32 GW from solar power plants. This is certainly an ambitious challenge, for which all renewable sources will be called upon to play a primary role in the electricity market. The goal can only be achieved by adding revamping and repowering initiatives to the development of new installations on the national territory aimed at allowing the renewal and efficiency of the existing park and therefore the extension of its life cycle.

A strong focus on renewable hydrogen should be given to support the energy transition.

Clean and renewable hydrogen will play a pivotal role on the energy transition, letting variable RES to be stored and used where and when needed thus improving predictability and flexibility. In addition, clean hydrogen can play an important role in sectors hard to electrify such as chemicals, parts of heavy industry, long haul heavy-duty road transport, aviation, and shipping.

Deployment of RES projects integrating battery energy storage should be supported in order to guarantee RES output predictability. The progressive uptake of variable RES and Distributed Energy Sources, along with the progressive phase-out of dispatchable conventional power plants, is challenging the flexibility quest. Flexibility has to be provided by all possible assets meeting the related requirements, including RES projects integrating battery energy storage.

Projects that boost circular economy and repurposing of industrial areas should be leveraged under the revised GBER. Re-use of brownfields can bring many co-benefits in terms of jobs creation, jobs allocation, social cohesion, environment, land use, waste reduction and circular economy. Thus, the mechanism should favor brownfield sites against greenfield ones, in order to reduce increase its societal impact and the contribution to the SDGs.

Finally, we recommend a more consolidated approach of the use of the EU Taxonomy. The Taxonomy should not be used by the public sector in a way that it would disincentive investments in transitional activities that may contribute significantly to GHG reductions in the shorter and medium term, or in new and emerging technologies that need financial support to deploy and scale-up.

Moreover, the strong impact of public funds on innovation justifies that a more consolidated approach of the use of the EU Taxonomy be defined before applying it. The global design of these provisions should be robust and finalized before determining the use it can have for public sectors. Whereas the TEG report has made few improvements compared to its draft of summer 2019, many shortcomings remain in the current non-binding recommendations of the TEG that should be addressed first in the upcoming delegated acts prior to assessing which use it can have for the public sector.

In order to increase effectiveness and efficiency of the revised GBER in fulfilling both the gap filling and enabling functions, Enel recommends the following points:

- We note that under the InvestEU Fund (NEW Section 16 - art. 56e), as a loan and guarantee financing program in the EU for supporting projects in the energy sector, in order to strength investments and innovation within the EU, some limitations provided for by the current formulation of art. 56e GBER must be overcome.
In particular, we believe that:
- **Aid for electricity storage projects** should not be limited to projects of common interest also because there is an increasing interest of the industrial sector towards medium voltage storage projects capable of providing long-term benefits in terms of sustainability, efficiency and system reliability.
- In addition, point a) article 56e indicates that **infrastructure project shall be subject to TPA**, while the sub-point i) makes the reference to PCI list. As you know, private investors have some storage projects included in this PCI list (i.e. pumping storage projects) and it cannot be subject to TPA principles.
- **Aid for the renewable sector** must be granted not only for the construction of new plants - as required by the revised GBER proposal - but also **extended to repowering** and also to the manufacturing part by comparing the maximum size of the projects to that of the infrastructure projects.

- **Aid for renewable hydrogen** should be granted in order to make clean hydrogen economically sustainable and boost the sector towards the energy transition.
- **We fully welcome the opening to support for smart grid projects throughout the wide national territory under GBER exemption** and not only limited to the assisted areas. However, it should be leveraged that this wide approach should concern all types of intervention on the electricity grid infrastructures aimed at the energy transition (interventions aimed at increasing hosting capacity, resilience, electrification of consumption, electric mobility).
- **Maximum thresholds under the revised GBER should be clarified.** The most in line interpretation with the standard, also with the Article 56d, paragraph 4, according to which "The maximum thresholds referred to in Article 56e and Article 56f shall apply to the **total outstanding financing**, insofar as this contains an aid element, granted under any financial product supported by the InvestEU Fund " should be clearly explained in the explanatory note.
- Finally, **the ongoing GBER review offers the opportunity to improve current State aid rules to be applied for the Europe response to Covid-19 pandemic and new MFF 2021-2027.** Further details should provide on the functioning of the GBER and its coordination with EU and national funds/programmes, such as MFF 2021-2027 and Next Generation EU and how these new instruments will interplay between EU funding rules and State aid rules.

As regards **Recovery and Resiliency Plan** and **the Just Transition Fund**, we believe that the application of the direct aid scheme (or the provision of a simplified notification scheme) is the exceptional framework to be applied in order to facilitate the use of these significant amount of funds within the time limits set by the Commission. This provision takes also into account that these type of funds are allocated to Member States on the basis of National Plans (Recovery and Resiliency plans or Territorial Just Transition Plans) already approved by the European Commission.

We also propose the extension of the same scheme to the eventual co-financing (national funding) provided by Member States for supporting the National Plans mentioned above.