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## **Reply from the Environmental Investigation Agency to the Draft Revised Climate, Energy and Environmental Aid Guidelines**

The Environmental Investigation Agency (EIA) welcomes the European Commission's initiative to revise the Climate, Energy and Environmental Aid Guidelines (CEEAG) in line with the European Green Deal (EGD). The recent EU Strategy to Reduce Methane Emissions has underscored the urgency in which we must act to reduce methane emissions from the energy and other sectors. Against this background, we provide the following comments.

- **Align Terminology.** The EU Strategy to Reduce Methane Emissions introduced the term “fossil gas” into EU policymaking circles, replacing the previously used term “natural gas,” drawing distinctions with biogas and hydrogen, for example. The This new terminology should be incorporated into the revised CEEAG to ensure consistency.
- **Eliminate All Fossil Fuel Subsidies.** The European Commission should be categorical in its elimination of fossil fuel subsidies regardless whether such subsidies are direct (*e.g.* payments) or indirect (*e.g.* taxes, levies). With respect to fossil gas, the draft revised CEEAG appears to represent that the climate impact of fossil gas is always less than oil and coal, for example in paragraph 110 where the draft revised CEEAG state that “measures that incentivise new investments in energy or industrial production based on natural gas may reduce greenhouse gas emissions and other pollutants in the short term” or paragraph 135 where it is stated that “[a]lternatives to energy equipment using the most polluting fossil fuels (such as oil and coal).” Yet, according to the Commission, above a leakage rate of only 3% along the supply chain, the climate impact of fossil gas is worse than that of coal in power generation.<sup>1</sup> Several recent reports and initiatives have revealed that methane emissions along the supply chain are much more significant than reported or anticipated, especially during production and processing that occurs mostly outside EU borders, meaning such sweeping statements of the decarbonisation value of fossil gas compared to oil and coal are misguided and unsupported.<sup>2,3,4,5</sup> Indeed, over 80% of fossil gas consumed in the EU is imported from abroad with the EU importing over half of all globally traded fossil gas, meaning the EU is currently not able to ensure any climate benefit from fossil gas over other fossil fuels.<sup>6,7,8,9</sup> For these reasons, the revised CEEAG should eliminate all fossil fuel subsidies—fossil gas included—and avoid all implicit references to fossil gas as a transitional energy source or one with an established climate benefit over oil and coal.
- **Address Petrochemical and Plastic Production.** Depending on geological layers, fossil gas yields varying levels of natural gas liquids (NGLs), such as propane and ethane, and oil yields varying levels of naphtha. NGLs and naphtha are fed into steam crackers—industrial facilities that use steam and intense heat in the absence of oxygen—to produce petrochemicals known as propylene

and ethylene, which are then polymerized to produce polypropylene (PP) and polyethylene (PE), respectively, the two most common plastics in use today.<sup>10</sup> PP is used to make many items, including bottles, packaging and bags, while PE is used extensively in packaging. Plastic pollution is largely the result of over-production of cheap virgin polymers flooding the EU marketplace with plastic products and packaging, thereby undermining the uptake of secondary raw materials and the development of more resource efficient and circular products and systems. According to the International Energy Agency (IEA), petrochemicals account for 8% and 14% of total primary demand for fossil gas and oil, respectively, and will soon become the world's biggest driver of oil demand – ahead of trucks, aviation and shipping.<sup>11</sup> Moreover, the EU petrochemical sector's demand for ethane to produce ethylene is a known driver of hydraulic fracturing (fracking) in the Northeast United States.<sup>12</sup> Petrochemical and plastic production is associated with significant methane emissions. For example, fossil gas and oil production and processing emit methane during leakage, venting and inefficient flaring while steam crackers are energy-intensive facilities that typically use methane as their energy source. The revised CEEAG should therefore include specific provisions to prevent state aid from supporting petrochemical and plastic expansion in the EU, which would further support the objectives of the new Circular Economy Action Plan and the EU Strategy for Plastics in a Circular Economy.

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**Reference**

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- <sup>1</sup> European Commission (2018). *In-Depth Analysis in Support of the Commission Communication COM (2018) 773: A Clean Planet for All: A European Long-Term Strategic Vision for a Prosperous, Modern, Competitive and Climate Neutral Economy*. Page 51, footnote 128. Available [here](#).
  - <sup>2</sup> Benjamin Hmiel et al. (Nature, 19 February 2020). *Preindustrial CH<sub>4</sub> Indicates Greater Anthropogenic Fossil CH<sub>4</sub> Emissions*. Available [here](#).
  - <sup>3</sup> Global Energy Monitor (2019). *The New Gas Boom: Tracking Global LNG Infrastructure*. Available [here](#).
  - <sup>4</sup> The Guardian (2019). *Booming LNG Industry Could Be as Bad for Climate as Coal, Experts Warn* (posted 2 July 2019). Available [here](#).
  - <sup>5</sup> Clean Air Task Force (2021). *Cut Methane EU*. Available [here](#).
  - <sup>6</sup> Eurostat. *EU Imports of Energy Products - Recent Developments*. Available [here](#).
  - <sup>7</sup> Eurostat. *Where Does Our Energy Come From?* Available [here](#).
  - <sup>8</sup> Eurostat. *Energy Production and Imports – Statistics Explained*. Available [here](#).
  - <sup>9</sup> Eurostat (2020). *Shedding Light on Energy in the EU: A Guided Tour of Energy Statistics, Section 2.3: From Where Do We Import Energy and How Dependent Are We?* Available [here](#).
  - <sup>10</sup> PlasticsEurope (2016). *The Plastic Industry*. Available [here](#).
  - <sup>11</sup> International Energy Agency (2018). *The Future of Petrochemicals: Towards More Sustainable Plastics and Fertilizers*. Pages 11 and 27. Available [here](#).
  - <sup>12</sup> National Geographic (2021). *Europe's Plastics Industry is about to Boom. U.S. Fracking is Driving It*. Available [here](#).