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Vattenfall is an European energy company with approximately 18,500 employees. We are one of Europe's largest producers and retailers of electricity and heat. Our goal is to make fossil-free living possible within one generation. Everything we do and the decisions we take shall lead to this goal. This is the basis of Vattenfall's strategy, and we advocate for a regulatory environment that makes this transition possible – in the energy sector and beyond in transport, industry, and other sectors.

Vattenfall comments on

COMMUNICATION FROM THE COMMISSION

Guidelines on State aid for climate, environmental protection and energy 2022

The EU's net zero ambitions and resulting 2030 targets require an unprecedented pace of decarbonization and significant investment in all sectors of the economy. The remaining time until 2030 poses special challenges for all stakeholders. National financial support is necessary for the transition to new, highly efficient and fossil-free technologies and systems, to timely and cost-effectively achieve the climate and environmental targets.

In our view, the draft for the CEEAG shows that the European Commission is fundamentally addressing the challenges that come along with high ambitions and thereby supports the achievement of the EU targets. The forthcoming revision of the GBER should also follow this approach, by extending the scope of aid that can be granted to projects without prior notification, when the scheme is already in conformity with the Guidelines.

The CEEAG should be appropriately updated and streamlined once the "Fit for 55 package" has passed the legislative process.

Limited, complementary national support schemes allow for a timely and cost-efficient achievement of climate and environmental objectives

- **Vattenfall welcomes that individual aid intensities and certain notification thresholds are largely taken out of the CEEAG.** The need for financial support is very much dependent on the respective conditions in the different Member States. Further on, it is neither linked to company sizes nor to the individual project size. At the same time, the proposal emphasizes at various points the possibility of project-specific notification of funded projects. In terms of the necessary investments, it would therefore be desirable to specify the criteria when a project should be individually notified. *[ref. e.g. paras 105, 349]*
- **We support the proposed funding gap approach.** The focus on identifying the funding gap and the possibility of closing it in a way that does not jeopardise or impede the internal market is an appropriate methodological approach. This allows its application in areas that have not been the

focus of the State Aid Guidelines so far. These include the transport and buildings sectors, together with the fundamental recognition of the contribution that DHC and CHP can make to the decarbonisation of the buildings sector and thus to an essential component of achieving the 2030 and 2050 targets. In addition to the expansion in sectoral terms, e.g. the extension of general eligibility to bio-CCS applications is also welcomed. *[ref. paras 76, 74 and 18 (13)]*

- **Vattenfall welcomes the explicit positive recognition of Carbon Contracts for Difference (CCfD).** CCfD can serve as a useful instrument to reduce the financial risk faced by projects and investors and have the potential to channel additional financing to decarbonise certain energy intensive industries, e.g. in steel sector by covering the price difference between conventional and low-carbon technologies. *[ref. para 103]*
- With a view to addressing the broad scope of policy options to support the transformation in various sectors and as it is already mentioned e.g. in paras 30 (c), 96 and 216 (c), para 103 should **clarify that "operating aid" is an equal option for Members States to address the competitive gap between sustainable solutions and fossil fuels.** *[ref. para 103]*
- **Competition in auctions cannot be increased by decreasing the auctioned volumes** as this exacerbates further investors' confidence and decreases visibility on auction rounds. Competition should rather be increased by removing all existing regulatory barriers to low-carbon energy deployment (such as administrative delays and regulations preventing fast & efficient permitting). *[ref. para 48]*

Enable the uptake of electrification and energy system integration

- **Vattenfall welcomes the uptake of hydrogen in the CEEAG draft** and proposes to widen the scope from renewable to all fossil-free hydrogen since we are convinced that fossil-free hydrogen will play a decisive role in the decarbonization of the industry, CHP and district heating and via energy sector integration.
- **Renewable energy sources, climate-neutral hydrogen and climate-neutral fuels are the basis for a climate-neutral European economy and society by 2050.** In addition to the European Emissions Trading System, which has the guiding function for decarbonization, supplemented by appropriate CO2 pricing systems in other sectors, a correspondingly coordinated funding is required for the development and use of the infrastructure for climate-neutral fuels, including fossil-free hydrogen. This should be appropriately reflected in the CEEAG.
- **It should be clarified that the definition of 'energy from renewable sources' should include a reference to several Power-to-X applications.** *[ref. para 18]*
- **We support the principles outlined in para 95 and believe that they allow for needed exemption for Power-to-X applications.** For instance, development of renewable hydrogen at the moment still faces high OPEX-costs, in particular environmental taxes such as national surcharges and levies. This makes the production of renewable hydrogen or higher processed products, e.g. Synthetic Natural Gas based on renewable hydrogen, rather unattractive and hinders the scaling-up of hydrogen to a commercial level. *[ref. para 95]*
- **Vattenfall welcomes the introduction of guidelines for the clean mobility.** We agree to take also into consideration state aid for the second hand market for clean vehicles. This will ensure that no one is left behind and that clean vehicles are affordable for everyone. In para 182 the intensities should be increased up to 50% in case of exclusively used fossil-free electricity rather than only renewable electricity or renewable hydrogen respectively. *[ref. para 182]*

An appropriate remuneration framework for combined heat and power (CHP) and efficient District Heating/Cooling (DHC) Systems will substantially support decarbonisation of the building sector and ensure further energy system integration

Vattenfall welcomes the relevant provisions for state aid in chapter 4.1 with regard to CHP and 4.10 to DHC. In densely populated urban areas, efficient DHC systems can substantially contribute to the greenhouse gas emissions reduction from buildings by 2030 and the increase of the share of renewables and waste heat and are supplying flexibility and stability for the increasingly volatile electricity system (energy system integration).¹

To drive the transition, substantial support for efficient DHC systems as a whole is required.

- The definition of 'district heating and cooling systems' should be broadened and explicitly include 'combined heat and power plants' as well as 'power-to-heat installations' using renewable based electricity. *[ref. paras 18 and 342]*
- **We are supportive, that Member States are still given the possibility to deviate from competitive tendering procedures in order to develop specific schemes for certain options such as promotion of high-efficiency cogeneration.** Consideration should be given to transferring the requirements set out in para 126 of the existing EEAG to the draft CEEAG for this purpose and merging them with the already proposed provisions in paras 50 and 51.
- Para 347 should provide **clarification for authorities and investors that the operator can be supported in upgrading and expanding a network** (e. g. to connect a new city area or a specific site). This might mean a temporary, technically unavoidable increase of production based on "the most polluting fuels", but should be tolerated as long as there is an overall decarbonisation commitment of the operator and related investment plans are in line with the 2030 climate target and the 2050 climate-neutrality objective. Such plan should be the core requirement. *[ref. para 347]*
- We agree that any investments in natural gas should be with a view to being future-proof and avoiding "lock-in of gas-fired power generation or gas-fired production facilities". **The CEEAG proposals should be extended by the option to receive aid for anticipatory investments that allow assets to be ready to use a broad spectrum of climate-neutral fuels when they are available** *[ref. paras 348, 110, 216]*
- **In line with para 76 granting of support to energy from biomass should be dependent on the compliance with the criteria of Directive 2018/2001** and no additional requirements should be introduced. *[ref. para 107]*
- As district heating is recognised as an infrastructure which helps reducing the primary energy demand in the residential sector by connecting existing and new buildings to renewable and waste heat sources, **in chapter 4.2. support should be made possible for connecting buildings to efficient DHC systems.** *[ref. para 116 and 342].*
- Moreover, **Energy performance contracting (EPC)** makes a significant contribution to increasing energy efficiency in the building sector and **should be eligible for funding regardless of e. g. the size of the EPC provider's company.** *[ref. para 119]*

¹ Efficient DHC systems integrate power-to-heat applications (electric boilers, large heat pumps etc. using renewable based electricity), carbon-neutral-fuel ready CHP plants (initially fired with natural gas, later with carbon-neutral fuels), thermal storage, excess/"waste" heat integration and utilisation of renewable sources (e.g. geothermal, solar thermal or sustainable biomass), resulting in lowering the costs for infrastructure deployment, decarbonising urban buildings and supplying flexibility and stability for the increasingly volatile electricity system.

EU electricity market rules should be guiding for the assessment and allocation of aid for security of electricity supply

- The EU Electricity Regulation outlines in detail the assessment and design principles for capacity remuneration mechanisms and should be duly taken into account in the assessment of the state aid's appropriateness. *[ref. para 301]*
- Eligibility requirements should take due account of the criteria established in the EU Electricity Regulation including the requirements regarding CO2 emission limits. *[ref. para 302]*

Additional public consultation procedures risk slowing down the transition

Having the challenging time horizon for implementing the European Green Deal in mind, the introduction of additional consultation requirements to the State Aid framework should be thoroughly investigated to avoid barriers to achieve the 2030 and 2050-targets. Considering that Member States according to their constitutional requirements for law-making procedures or specific traditions already carry out public consultations when setting up support schemes, we do not see a specific need to introduce additional public consultation procedures prior to and as a prerequisite for the notification of a support system. It remains unclear what kind of value this additional procedure should deliver in the two core areas 4.1 and 4.8. *[ref. paras 85 to 88 and 306 to 309]*

Planning and investment security should be safeguarded by regulatory continuity

Regarding the unprecedented pace of decarbonization and significant investment in all sectors of the economy, planning and investment security are of utmost importance. Therefore, Vattenfall welcomes that the new guidelines are to **apply for all aid notified after 1 January 2022**. Furthermore, it should be clarified that **once aid has been approved, it will not be subject to a further review** without clear criteria and, in the sense of Art. 6(2) of Directive 2018/2001, **the amount and conditions of the aid granted will not be revised in a way resulting in negative impact on the economic viability of projects** already benefiting from aid. For the sake of regulatory continuity, para 250 of the current EEAG should be continued in the CEEAG **so that a beneficiary who has been confirmed to receive State aid for a predetermined period can rely on that this aid is granted for the entire period under the conditions laid down in the scheme at the time of the confirmation**. *[ref. 411 to 414 draft CEEAG, para 250 EEAG]*

Annex: Recommendations for amendments to the proposed CEEAG

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Chapter 2.4 Definitions, para 18	
(29) 'district heating and cooling systems'	
(29) 'district heating and cooling systems', consisting of heat generation facilities (heating/cooling production plants), the heating/cooling storage and distribution network (both 'primary'- or transmission- and 'secondary' network of pipelines to supply heat to consumers). Reference to district heating is to be interpreted as district heating and/or cooling systems, depending on whether the networks supply heat or cooling jointly or separately;	(29) 'district heating and cooling systems', consisting of heat generation facilities (heating/cooling production plants including combined heat and power plants), the heating/cooling storage and distribution network (both 'primary'- or transmission- and 'secondary' network of pipelines to supply heat to consumers). Reference to district heating is to be interpreted as district heating and/or cooling systems, depending on whether the networks supply heat or cooling jointly or separately;
(34) 'energy from renewable sources'	
(34) 'energy from renewable sources' means energy produced by plants using only renewable energy sources as defined in Article 2, point (1), of Directive (EU) 2018/2001 of the European Parliament and of the Council, as well as the share in terms of calorific value of energy produced from renewable energy sources in hybrid plants which also use conventional energy sources and includes renewable electricity used for filling storage systems connected behind-the-meter (jointly installed or as an add-on to the renewable installation), but excludes electricity produced as a result of storage systems;	(34) 'energy from renewable sources' for the purposes of these guidelines means energy produced by plants using only renewable energy sources as defined in Article 2, point (1), of Directive (EU) 2018/2001 of the European Parliament and of the Council, as well as the share in terms of calorific value of energy produced from renewable energy sources in hybrid plants which also use conventional energy sources and includes renewable electricity used e.g. to generate heat (power-to-heat), hydrogen (electrolysis) or other carbon neutral fuels, electro-mobility and for filling storage systems connected behind-the-meter (jointly installed or as an add-on to the renewable installation), but excludes electricity produced as a result of storage systems;
(80), NEW 'waste heat and cold'	
	(80) 'waste heat and cold' means waste heat and cold as defined in Directive 2018/2001;
	Definition of 'zero-emission transport vehicle' becomes No. (81)
Justification: For clarification, a definition of waste heat as defined in Directive 2018/2001 should be added to clearly distinguish <u>waste heat</u> from energy recovery from waste. This will be relevant for para 344 (pls. see below).	
Chapter 4.1 Aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy	
Para 102	
102: Beneficiaries of the measure should be exposed to risks that they can contribute to managing, for example risks associated with the curtailment of renewable energy linked to periods	102: Beneficiaries of the measure should be exposed to risks that they can contribute to managing []

of excess production or to insufficient transmission.	
Justification: <i>Insufficient transmission is nothing the operator (aid beneficiary) can control or contribute to manage.</i>	
para 103	
103: Aid for decarbonisation can take a variety of forms including up front grants and contracts for ongoing aid payments such as contracts for difference. Aid which covers costs mostly linked to operation rather than investment should only be used where the Member State clearly demonstrates that this results in more environmentally friendly operating decisions.	103: Aid for decarbonisation can take a variety of forms including up front grants, operating aid , and contracts for ongoing aid payments such as contracts for difference. Operating aid [] mostly linked to operation rather than investment can [] be used where the Member State [] demonstrates that this results in more environmentally friendly operating
Justification: <i>With a view to addressing the broad scope of policy options to support the transformation in various sectors para 103 should clarify that "operating aid" is an equal option for Members States to address the competitive gap between sustainable solutions and fossil fuels.</i>	
para 107	
107. To avoid undermining the objective of the measure or other Union environmental protection objectives, incentives must not be provided for the generation of energy that would displace less polluting forms of energy. For example, where cogeneration based on non-renewable sources is supported, or where biomass is supported, they must not receive incentives to generate electricity or heat at times when this would mean zero air pollution renewable energy sources would be curtailed.	107. To avoid undermining the objective of the measure or other Union environmental protection objectives, incentives must not be provided for the generation of energy that would displace less polluting forms of energy. For example, where cogeneration based on non-renewable sources is supported [] they must not receive incentives to generate electricity or heat at times when this would mean zero air pollution renewable energy sources would be curtailed.
Justification: <i>In line with para 76 granting of support to energy from biomass should be dependent on the compliance with the criteria of Directive 2018/2001 and no additional requirements should be introduced.</i>	
Chapter 4.3 Aid for clean mobility	
Para 182	
182. Alternatively to point 181, the basic aid intensity must not exceed 30 % of the eligible costs or 40 % of the eligible costs where the recharging or refuelling infrastructure supplies only renewable electricity or renewable hydrogen respectively. This aid intensity may be increased by 10 percentage points for medium-sized enterprises or by 20 percentage points for small enterprises. The aid intensity may be increased by 15 percentage points for investments located in assisted areas fulfilling the conditions in Article 107(3), point (a), of the Treaty or by 5 percentage points for	182. Alternatively to point 181, the basic aid intensity must not exceed 30 % of the eligible costs or [] 50 % of the eligible costs where the recharging or refuelling infrastructure supplies only [] fossil-free electricity or [] fossil-free hydrogen respectively. This aid intensity may be increased by 10 percentage points for medium-sized enterprises or by 20 percentage points for small enterprises. The aid intensity may be increased by [] 30 % percentage points for investments located in assisted areas fulfilling the conditions in Article 107(3), point (a), of the Treaty or by [] 10 % percentage points for investments

investments located in assisted areas fulfilling the conditions in Article 107(3), point (c), of the Treaty.	located in assisted areas fulfilling the conditions in Article 107(3), point (c), of the Treaty.
Justification: <i>The aid intensity should be increased up to 50% where the recharging or refuelling infrastructure supplies exclusively fossil-free electricity rather than only renewable electricity or renewable hydrogen respectively. Furthermore, an additional 5-15% for assisted areas will not cover the need and should be increased. For example the Swedish Government currently finance DC-charging in remote areas in the Northern part of the country with 100%, and even then more aid is needed for operation and maintenance</i>	
Chapter 4.8 Aid for the security of electricity supply	
Para 301	
301. Member States should primarily consider alternative ways of achieving security of electricity supply, in particular more efficient electricity market design that can alleviate the market failures that undermine security of electricity supply. For instance, improving the functioning of electricity imbalance settlement, better integrating variable generation, incentivising and integrating demand response and storage, enabling efficient price signals, removing barriers to cross-border trade, and improving infrastructure including interconnection. Aid may be found appropriate for security of supply measures where, despite appropriate improvements to market design and investments in network assets, whether already implemented or planned, a security of supply concern remains.	301. Member States in line with Article 20 of Regulation 2019/943 should primarily consider alternative ways of achieving security of electricity supply, in particular more efficient electricity market design that can alleviate the market failures that undermine security of electricity supply. For instance (but not limited to) , improving the functioning of electricity imbalance settlement, better integrating variable generation, incentivising and integrating demand response and storage, enabling efficient price signals, removing barriers to cross-border trade, and improving infrastructure including interconnection. Aid may be found appropriate for security of supply measures according to the design principles laid out in Art. 21 of Regulation 2019/943 and following the procedures laid out in Art. 20 of Regulation 2019/943. []
Justification: <i>The EU Electricity Regulation outlines in detail the assessment and design principles for capacity remuneration mechanisms and should be duly taken into account in the assessment of the state aid appropriateness.</i>	
Para 302	
302: The aid measure should be open to all beneficiaries or projects technically capable of contributing efficiently to the achievement of the security of supply objective. This includes generation, storage and demand response, as well as the aggregation of small units of these forms of capacity into larger blocks.	302: The aid measure should be open to all beneficiaries or projects technically capable of contributing efficiently to the achievement of the security of supply objective and complying with the requirements of Art. 22 par. 4 of Regulation 2019/943. This includes generation, storage and demand response, as well as the aggregation of small units of these forms of capacity into larger blocks.
Justification: <i>Eligibility requirements should take due account of the criteria established in the EU Electricity Regulation including the requirements regarding CO2 emission limits.</i>	
Chapter 4.10 Aid for district heating or cooling	
Para 341 and 342	
(341) This Section applies to support for the	(341) This Section applies to support for the

construction or upgrade of energy efficient district heating and cooling systems. Supported investments can concern heating or cooling generation and storage plants or the distribution network or both.	construction or upgrade of [] district heating and cooling systems. Supported investments can concern heating or cooling generation [] or thermal storage plants or the distribution network or both.
(342) Such aid measures typically cover the construction or upgrade of the generation unit to use renewable energy, waste heat, or highly efficient cogeneration including thermal storage solutions, or the upgrade of the distribution network to reduce losses and increase efficiency, including through smart and digital solutions.	(342) Such aid measures typically cover the construction or upgrade of the generation unit to use renewable energy, waste heat, or highly efficient cogeneration or [] thermal storage solutions, power-to-heat solutions or the upgrade or extension of the distribution network to reduce losses and increase efficiency, including through smart and digital solutions. Heating and cooling equipment within customer premises referred to under para 117 can also be covered.
Justification: Para 341 and 342 should cover all DHC systems, as it set out rules for aid for efficient DHC as well as conditions for aid for non-efficient systems. As under the EEAG in place, the set of future rules should make clear that aid can target independently the different elements of a District Heating system. For instance, aid should be available for generation, thermal storage or the network it-self. The extension to storage will support cross-sector integration, in particular the combination of power-to-heat installations (large-scale heat pumps as well as electric boilers using renewable electricity) with waste heat and high-efficiency CHP ² . Additionally, this point should also refer to ‘customer facilities’ so that the connection of a building to a DHC system and the related technical installations within the building that allow the DHC system to perform optimally – and to reduce overall energy consumption – can be covered (chapter 4.2).	
Para 343	
(343) Where a Member State invests in the upgrade of a district heating and cooling system without meeting the standard of energy efficiency, it needs to commit to start the works to reach that standard within three years following the upgrade works.	(343) Where a Member State [] grants aid for [] the upgrade of a district heating and cooling system which does not fulfill the definition of Efficient DHC, as defined in Directive 2012/27 [] it needs to require the commitment of the operator to start the works to reach this status [] within three years following the upgrade works where appropriate.
Justification: The text should clarify that DHC systems should fulfil the status of efficient DHC as set out in Directive 2012/27 (EED) – instead of referring to a newly defined ‘energy efficiency standard’; In addition, reference should be made to commitments made by operators.	
Para 344	
(344) Sections 3.2.1.1. and 3.2.1.2. do not apply to aid to district heating or cooling. The Commission considers that State aid can contribute to addressing market failures by triggering the investment needed for the creation of energy efficient district heating and cooling systems. In	(344) Sections 3.2.1.1. and 3.2.1.2. do not apply to aid to district heating or cooling. The Commission considers that State aid can contribute to addressing market failures by triggering the investment needed for the creation, expansion and upgrade of [] efficient district heating and

² ‘The new State aid framework should uphold the opportunity to support high-efficient heat generation and CHP systems that have a positive impact in terms of CO₂ reductions in the field of generation of district heat, also from renewable sources. Additionally, the State aid framework should also combinations of heat generation through renewable electricity using heat pumps, waste heat and power to heat installations.’ (Statement on ‘A State Aid Framework fit for the Green Deal’ dated 31 May 2021 signed by Germany, Sweden, The Netherlands, Latvia, Ireland and Luxembourg)

<p>addition, State aid for energy efficient district heating and cooling systems using waste, including waste heat, as input fuel can make a positive contribution to environmental protection, provided that they do not circumvent the waste hierarchy principle</p>	<p>cooling systems as well as investment into non-efficient systems with a view to gradually make them efficient. In addition, State aid for [] efficient district heating and cooling systems using waste [] as input fuel can make a positive contribution to environmental protection, provided that they do not circumvent the waste hierarchy principle.</p>
<p>Justification: <i>Without prejudice to the correct reference to energy recovery from waste and the conditioning of the aid on compliance with the waste hierarchy, the text should clearly distinguish waste heat as defined in Directive 2018/2001 from energy recovery from waste. For clarification, a corresponding definition of waste heat should be added to Chapter 2.4 para. 18 (see above).</i></p>	
<p>Para 347</p>	
<p>347. Section 3.2.2. does not apply to aid for district heating or cooling. The Commission considers that the upgrade or construction of district heating and cooling systems which rely on the most polluting fossil fuels such as coal, lignite, oil and diesel, have negative consequences on competition and trade which are unlikely to be offset unless the following cumulative conditions are fulfilled:</p> <p>(a) the support is limited to the upgrade of the distribution network;</p> <p>(b) the distribution network is or becomes fit for the transport of heat or cooling generated from renewable energy sources;</p> <p>(c) the investment does not result in increased generation of energy from the most polluting fossil fuels (for example, by connecting additional customers);</p> <p>(d) there is a clear timeline involving firm commitments for transitioning away from the most polluting fossil fuels, compatible with the Union's 2030 climate target and the 2050 climate neutrality target.</p>	<p>347. Section 3.2.2. does not apply to aid for district heating or cooling. The Commission considers that the upgrade or construction of district heating and cooling systems which rely on the most polluting fossil fuels such as coal, lignite, oil and diesel, have negative consequences on competition and trade which are unlikely to be offset unless the following cumulative conditions are fulfilled:</p> <p>(a) there is a clear timeline involving firm commitments from the beneficiaries for transitioning away from the most polluting fossil fuels, compatible with the Union's 2030 climate target and the 2050 climate neutrality target.</p> <p>(b) the support for the extension, new-built or upgrade of the distribution network is limited to distribution networks which are either already fit or become fit for the transport of heating or cooling from renewable energy sources, climate neutral waste heat or other climate neutral energy sources.</p> <p>(c) the investment shall at most temporarily result to a technically unavoidable increase in the generation of energy from the most polluting fuels (for example, by connecting additional customers), and beneficiaries must demonstrate to the aid granting authority how they will meet their commitments according to (a).</p>
<p>Justification: <i>Clarification should be provided for authorities and investors that the operator can be supported in up-grading and expanding a network (e.g. to connect a new city area or a specific site). This might mean a temporary, technically unavoidable increase of production based on "the most polluting fuels", but should be tolerated as long as there is an overall decarbonisation commitment of the operator and related investment plans are in line with the 2030 climate target and the 2050 climate-neutrality objective. Such plan should be the core requirement.</i></p>	
<p>Para 348</p>	
<p>348. As regards the construction or upgrade of district heating generation installations, measures that incentivise new investments in</p>	<p>348. As regards the construction or upgrade of district heating generation installations, measures that incentivise new investments in</p>

energy based on natural gas may reduce greenhouse gas emissions in the short run but aggravate negative environmental externalities in the longer run, compared to alternative investments. For those investments in natural gas to be seen as having positive environmental effects, Member States must explain how they will ensure that the investment contributes to achieving the Union's 2030 climate target and 2050 climate neutrality target and, in particular, how a lock-in of the gas-fired energy generation or gas-fired production equipment will be avoided. For example, this may include binding commitments by/from the beneficiary to implement CCS/CCU or substitute natural gas by renewable or low carbon gas or to close the plant on a timeline consistent with the Union's climate targets.

energy based on natural gas may reduce greenhouse gas emissions in the short run but aggravate negative environmental externalities in the longer run, compared to alternative investments. For those investments in natural gas to be seen as having positive environmental effects, Member States must explain how they will ensure that the investment contributes to achieving the Union's 2030 climate target and 2050 climate neutrality target and, in particular, how a lock-in of the gas-fired energy generation or gas-fired production equipment will be avoided. For example, this may include binding commitments by/from the beneficiary to implement CCS/CCU, or substitute natural gas by renewable **fuels** or **by investing in facilities ready to use climate-neutral fuels when they are available** or to close the plant on a timeline consistent with the Union's climate targets.

Justification: *The role of natural gas as a necessary transitional step to become fossil-free within one generation, in particular in the decarbonisation of district heating and cooling systems as well as large parts of the European building sector, is duly recognised, as well as the need to avoid a medium- and long-term "lock-in" of e.g. gas-fired energy generation. The CEEAG proposals should be extended by the option to receive aid for anticipatory investments that allow assets to be 100% ready to use a broad spectrum of climate-neutral fuels when they are available.*

