

Repsol's feedback to the revised Climate, Energy and Environmental Aid Guidelines August 2nd, 2021

Repsol is a global multi-energy company, which leads the energy transition and has set the goal of being zero net emissions by 2050. It is present throughout the energy value chain, employs 24,000 people and distributes its products in almost 100 countries, totalling 24 million customers.

Repsol shares the world's ambition to reach climate neutrality in the framework of the Paris Agreement, as well as the EU's 2050 carbon neutrality objective, and works to play an active role in the solution to climate change.

In order to achieve net zero emissions by 2050, Repsol is committed to a model that integrates all technologies for decarbonisation, based on improving efficiency, renewable generation, low, neutral or even negative carbon footprint products, circular economy, industrial innovation and the development of new solutions based on digitization.

Increasing investments will be crucial to fulfil this endeavour, and appropriate State Aid rules will play a fundamental role in helping to overcome market inefficiencies and externalities, while ensuring fair competition within the internal market of the European Union.

Repsol welcomes the opportunity to provide feedback to this consultation on the Guidelines on State Aid for Climate, Environmental Protection and Energy, and we look forward to continuing participating actively in the development of this legislative procedure, by providing further input to upcoming consultations and addressing other information requests the Commission may need.

General Comments

Repsol welcomes this revision of the Guidelines, specially the broadening of its scope. We fully agree with Increasing the range of technologies deemed necessary to deliver the Green Deal and to expand the scope to new areas such as circular economy.

At Repsol we consider that all technologies that may contribute to the Paris Agreement objectives should be employed. Therefore, **we are convinced that all regulations should be driven by technological neutrality, not marginalizing any decarbonization path.**

In this sense, we would like to call for the recognition of all the different technologies that have allowed and will continue to enable the whole of European industry to undertake the energy transition. European Industry has demonstrated its commitment with decarbonization, been one of the pillars of the success in the European overall emissions reduction.

Europe should continue trusting the industry in decarbonizing their activities in a sustainable and cost-efficient manner, using all the technologies available, also including CCUS, biofuels, bioliquids, biogas, efuels, RCFs and RFNBOs. These technologies can contribute to decarbonization without requiring costly investments, ensuring a just transition, and granting affordability and security of supply in the interests of all energy users.

Moreover, **we are concerned by some unclear statements in the Guidelines.** Specifically, paragraphs 71 and 108 may be interpreted as measures will not support any fossil fuels, whilst paragraph 110 offers the possibility of supporting for natural gas with CCS. **It should be positive**

for investors to receive a clear stance supporting CCS and the production of hydrogen from natural gas with CCS or from process off-gases, explicitly allowing these technologies under the new CEEAG.

We would like to recognize the improvement in flexibility, clarity and streamlining of the new Guidelines. Nevertheless, **we are concerned with the short time given to Member States to adjust their existing environmental protection and energy aid schemes** that could have impact in the regulatory stability due to the recent proposals for the Fit for 55 that have not already been adopted. The Energy and Environmental State Aid Guidelines were opened for public consultation before the Communication of the Fit for 55 that was announced July 14th (COM(2021) 550) by the European Commission. Consequently, a delay in its enactment or a flexible interpretation of the guidelines should be adopted during a reasonable period at least two years.

Specific remarks to the Guidelines sections

- **Re section 4.11, we welcome the confirmation of the refining and petrochemical industry among the eligible sectors. We nevertheless would suggest including industrial gases** in general (NACE 20.11), and hydrogen production in particular (20.11.11.50) in the draft list. We'd like to ask the Commission to reconsider this decision, on the ground that such approach would distort the level playing field for producers of those products: depending on whether these gases are produced off-site or on-site (in the latter, they would be accounted under different NACE codes).

Furthermore we do not agree with the proposal to increase the minimum level of contribution for industry, from the current 15% to 25%, and to increase the cap for particularly electro-intensive undertakings from 0.5% to 1.5% of the gross value added - on the basis that it will endanger the support for renewable energy sources and distort competition and trade - . The support for renewable energy is granted as the eligible sectors have been significantly reduced, and competition will not be negatively impacted as the financial effect of this measure will increase the costs of the industry, and the expected outcome will probably be a reduction on our competition and subsequently our trade exports, from the current levels.

Similarly, **we believe is unsuitable to introduce a minimum level of levies (EUR/MWh) as a basis for providing aid to eligible sectors**, due to the difficulties associated to calculating an appropriate value, due to the complexity of pricing in the sector.

Finally, **we find inappropriate the conditionality criteria modifications introduced in the CEEAG, compared to the ETS aid guidelines**. Specifically, in the ETS guidelines, undertakings are required to meet one of the listed conditions (alternative). In the draft CEEAG, undertakings are required to fulfil "one or more" of the conditions. Should governments opt for more than one condition to be fulfilled, this could result in conditions extremely hard to achieve for certain undertakings.

- **Re point 108, we would call EC's attention on the importance of the development of low-carbon and renewable liquid and gaseous fuels, that will be a key element for achieving the GHG emissions reduction goals.**

An increase in the EU's 2030 climate ambitions will require higher emission reduction efforts across multiple sectors. In this sense, the EU should support all climate neutral energy sources, including low-carbon solutions.

State Aid must try to preserve competition among technologies in an effort to achieve its decarbonization objectives while providing enough investment certainty in Europe. This will be best attained by providing a competitive level playing field. In this sense, setting targets for specific technologies would not promote the most sustainable solution for meeting decarbonization objectives.

From an industrial perspective, it is important to remember that this sector is characterised by long investment cycles, as well as the fact that innovations do not follow a linear pathway. Most new technologies may be implemented after 2030.

Forgetting the crucial role of low carbon and renewable liquid and gaseous fuels for the decarbonization many industrial processes may lead to a weakening of the sector and / or the delocalization of some actors.

The infrastructure needed to transport and use these low-carbon and renewable liquid and gaseous fuels is compatible with the current infrastructure (fuel and natural gas network, storage facilities). Thus, the current infrastructure will still be needed – especially in the first phases where both liquid and gaseous fuels will be coexisting - and may require to be supported by State Aid as low-carbon and renewable liquid and gaseous fuels start to play a significant role in the future energy mix.

However, even with this in mind, it should be recognised that Europe will continue to need a reliable market and infrastructure for the supply of natural gas for the foreseeable future to meet its energy demand. According to the IEA Net Zero Emissions Report, even in 2050, oil and natural gas will remain a significant share of the energy supply, as it will be still used in non-energy goods, energy and industrial process with CCUS – including hydrogen production - and in sectors where low emission technologies are scarce - aviation and long range transport.

Thus, all low-carbon and renewable liquid and gaseous fuels, which will be a good alternative for some of these processes, should be rewarded for their contribution to the decarbonisation goals using a uniform system that counts on its contribution to CO2 emissions reduction.

- **Re point 134, we would also like to point out as in the previous section that the usage of natural gas does not necessarily produce a lock-in effect, as it will enable the usage of other low-carbon or renewable gases as biogas or hydrogen.**

We fully agree and support EC on tackling the GHG emissions in the transport sector and we have been actively engaged by developing, producing low-carbon fuels (such as biofuels) and further investing on new developments such as e-fuels and SAF. We also agree with the need for a renewal of the fleet of transport vehicles. Nevertheless, **concerning the definition of “clean vehicle” in point 2.4 (20) we would like to elaborate on the concept of “zero tailpipe emissions”. We would like to highlight that this concept may marginalize other technological developments that can achieve net zero emissions or contribute to a significant reduction in the overall transport emissions.** We believe and therefore advocate that those efficient and low carbon fuel using ICEs should be considered clean vehicles. By doing so, it will allow a rapid decrease in emissions, as a complementary alternative to the new technologies. More specifically, this inclusion would allow for the contribution of sustainable biofuels as well as renewable synthetic fuels, eco-fuels, biomethane, LNG, CNG and LPG automotive gas.

- **Re point 163, we would like to underscore that the inclusion of LPG in the category of “most polluting fossil fuels” may not be totally fair.** In fact, LPG vehicles emit 15% less CO2 per

kilometer than a gasoline vehicle – and just 10% higher than GNC or GNL, technologies considered by article 162 as not displacing clean energies -. The millions of vehicles that already use Automotive Gas in Europe account for an annual saving of at least 3.5 million tons of CO₂ apart from a considerable effect on air quality with negligible emissions of particles and a 68% reduction on NO_x – comparing a similar diesels vehicle -.

- **Re point 186**, although we agree that carbon intensive hydrogen may not help achieving the decarbonization objective and therefore should not be included in the eligible activities for the state aid. However, we also understand that all forms of clean hydrogen should be rewarded for their contribution to decarbonization goals. **We would call for the EC to positively recognize the clean hydrogen - produced from natural gas with CCUS or from biogas – in these guidelines.** Creating an early hydrogen market is key in the further development of the renewable hydrogen technologies. This would create the basis for a higher demand of hydrogen (transport, energy intensive industry, etc.), driving innovation. Nowadays, Hydrogen production from renewable power sources through electrolysis is only commercially viable in niche applications and shows limited production capacity, potentially slowing the adoption of hydrogen.

- **Re: Section 3.2.1.2.1**, we believe **some exceptions should be made to the general assumption of not granting aid when there are other policies and aid instrument capable of achieving the same results.** This is particularly relevant when considering recharging or refueling infrastructure. If we want to achieve a quick transition to zero emission mobility policies should be complementary policies, instead of alternative.

The role of state aid should be complementary to state policies, when the investments tries to provide certain services - like a recharging service that go beyond the legal requirements (eg. Superchargers instead of chargers, that provide a better service than required by the Article 15 of the Spanish Climate Law) -, **that support an especially innovative technology** or to reward those initiatives that are underway and have been undertaken before the approval of these Guidelines. The State Aid Guidelines contemplate in point 81 that: Section 3.2.1.2 do not apply to measures for the reduction of greenhouse gas emissions. The Commission presumes that State Aid can, in principle, be an appropriate measure in achieving decarbonization goals, given that other policy instruments are typically not enough to achieve those goals, and provided all other compatibility conditions are met. Given the scale and urgency of the decarbonization challenge, a variety of instruments, including direct grants, may be used. This flexibility to support objectives of decarbonization or clean mobility that are foreseen in domestic legislation together with the direct grants should be applicable to the rest of the aids in the guidelines due to the relevance of all the issues contemplated herein.

The new state aids propose in numerous cases the competitive biddings to allow the projects to be supported (ie. infrastructures of recharging and refueling stations), but if there is a national or European legal norm that implies the execution of new infrastructures, the aid could be granted if does not distortion the competition and trade, ie: in case of emerging markets as recharging infrastructures.

- **Re: Section 4.11**, we would call the EC's attention on the expression "electricity levies for energy-intensive users", and the further expressions inside this section that point to uniquely support electric-intensive users on the energy levies related to decarbonization policies.

There are many sectors that can be considered “energy intensive users” that also employ, and will use in the future, forms of energy other than electricity (hydrogen, gas with CCUS, biomethane, synthetic fuels, sustainable liquid biofuels...), due to the nature of their activity or the impossibility of electrifying their processes. These sectors deserve the same treatment as electricity-intensive users.

Moreover, we believe **each energy vector should bear the cost of its own decarbonization**. Each energy carrier’s bill shall integrate only the cost, charges and levies linked to the production, transport and retail of that specific energy carrier. A cross subsidization across energy carriers or sectors would lead to the creation market distortions.

Amendment Proposals

Title: “Definitions.”

Point: 2.4 definitions

Amendment

<p>Where it says:</p> <p>Point 2.4.18 “(9)‘bioliquids’ means biogas as defined in Article 2, point (32), of Directive 2018/2001/EU;”.</p>	<p>It should say:</p> <p>Point 2.4.18 “(9)‘bioliquids’ means biogas bioliquid as defined in Article 2, point (32), of Directive 2018/2001/EU;”.</p>
<p>Rationale:</p> <p>We think this is a mistake and that where it says biogas, it refers to bioliquid.</p>	

Title: “Definitions.”

Point: 2.4 definitions

Amendment

<p>Where it says:</p> <p>Point 2.4.18 (14) ‘carbon capture and use’ or ‘CCU’ means a set of technologies that captures the CO2 emitted from industrial plants based on fossil fuels or biomass, including power plants and waste-to-energy plants [or captures it directly from ambient air], and transports it to a CO2 consumption or utilisation site;</p>	<p>It should say:</p> <p>Point 2.4.18 (14) ‘carbon capture and use’ or ‘CCU’ means a set of technologies that captures the CO2 emitted from industrial plants based on fossil fuels or biomass, including power plants and waste-to-energy plants [or captures it directly from ambient air], and transports it to a consumption or utilization site or transforms the CO2 into materials or fuels to be transported to its consumption or utilization site;</p>
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Rationale:

The definition of ‘carbon capture and use’ would necessarily require the transportation of CO₂. This would exclude the use of CO₂ directly on-site, in the facility that converts or uses the CO₂.

Title: “Definitions.”**Point: 2.4 definitions****Amendment**

Where it says:	It should say:
<p>Point 2.4.18 (20) ‘clean transport vehicle’ means:</p> <p>(a) a road vehicle of categories M1, M2 or N1 fulfilling the definition of ‘clean vehicle’ set out in Article 4, point (4)(a), of Directive (EU) 2019/1161 of the European Parliament and of the Council”.</p> <p>(b) a road vehicle of category M3, N2 or N3 fulfilling the following definitions:</p> <p>(a) until 31 December 2025, for vehicles covered by Regulation (EU) 2019/1242 of the European Parliament and of the Council²¹: the definition of ‘low-emission heavy-duty vehicle’ set out in Article 3, point (12), of that Regulation;</p> <p>(b) until 31 December 2025, for vehicles not covered by Regulation 2019/1242: the definition of ‘clean vehicle’ set out in Article 4, point (4)(b), of Directive (EU) 2019/1161;</p> <p>(c) from 1 January 2026: the definition of ‘zero-emission heavy duty vehicle’ set out in Article 4, point (5), of Directive (EU) 2019/1161.</p> <p>(e) a sea and coastal vessel for passenger or freight transport, a vessel for port operations or for auxiliary activities that has zero direct (tailpipe) CO₂ emissions; or until 31 December 2025:</p> <p>(i) has a hybrid or dual fuel engine deriving at least 25% of its energy from zero direct (tailpipe) CO₂ emission fuels or plug-in power for its normal operation at sea and in ports;</p> <p>(ii) has an attained Energy Efficiency Design Index (EEDI) value 10% below the EEDI requirements applicable on 1 April 2022²⁴ and the vessel is able to run on zero direct (tailpipe) CO₂ emission fuels or on fuels from renewable sources.</p>	<p>Point 2.4.18 (20) ‘clean transport vehicle’ means:</p> <p>(a) a road vehicle of categories M1, M2 or N1 fulfilling the definition of ‘clean vehicle’ set out in Article 4, point (4)(a), of Directive (EU) 2019/1161 of the European Parliament and of the Council. <u>In addition, a “clean vehicle” may also be a vehicle that meets the emission thresholds for clean light-duty vehicles set out in the same Directive with sustainable liquid biofuels and/or by renewable synthetic fuels</u></p> <p>(b) a road vehicle of category M3, N2 or N3 fulfilling the following definitions:</p> <p>(a) until 31 December 2025, for vehicles covered by Regulation (EU) 2019/1242 of the European Parliament and of the Council²¹: the definition of ‘low-emission heavy-duty vehicle’ set out in Article 3, point (12), of that Regulation;</p> <p>(b) until 31 December 2025, for vehicles not covered by Regulation 2019/1242: the definition of ‘clean vehicle’ set out in Article 4, point (4)(b), of Directive (EU) 2019/1161. <u>In addition, a ‘clean vehicle’ may also be a vehicle that meets the emission thresholds for clean light-duty vehicles set out in the same Directive with sustainable liquid biofuels and/or by renewable synthetic fuels;</u></p> <p>(c) from 1 January 2026: the definition of ‘zero-emission heavy duty vehicle’ set out in Article 4, point (5), of Directive (EU) 2019/1161. <u>In addition, a ‘zero-emission heavy duty vehicle’ may also be a heavy duty vehicle that meets the emission thresholds for clean heavy-duty vehicles set out in the same Directive with sustainable liquid biofuels and/or by renewable synthetic fuels.</u></p> <p>(e) a sea and coastal vessel for passenger or freight transport, a vessel for port operations or</p>

	<p>for auxiliary activities that has zero direct (tailpipe) CO2 emissions; or until 31 December 2025:</p> <p>(i) has a hybrid or dual fuel engine deriving at least 25% of its energy from zero direct (tailpipe) CO2 emission fuels or plug-in power for its normal operation at sea and in ports;</p> <p>(ii) has an attained Energy Efficiency Design Index (EEDI) value 10% below the EEDI requirements applicable on 1 April 2022²⁴ and the vessel is able to run on zero direct (tailpipe) CO2 emission fuels or on fuels from renewable sources.</p>
<p>Rationale:</p> <p>We view positively the support for all alternative fuels including sustainable liquid and gaseous biofuels as well as renewable synthetic fuels with the reference to Directive (EU) 2019/1161. We believe they are part of the solution and have the additional advantage of not requiring large additional investments in infrastructure and vehicle replacement. However, we believe that their potential for emission savings is not fully recognized. Currently a "zero g CO2/km" vehicle is only possible with electricity or hydrogen, ignoring the emission reduction capacity of liquid and gaseous fuels produced from biomass and renewable synthetic liquid and gaseous fuels that are treated as if they were 100% fossil (unlike the European CO2 Emissions Trading Scheme or ETS, where biomass is treated as zero CO2). Likewise, the National Emissions Inventory (based on IPCC guidelines), takes into account the renewable origin of biofuels, so that emissions generated by biomass are not computed.</p> <p>Sustainable liquid biofuels and renewable synthetic fuels are capable of meeting the CO2 and pollutant emission thresholds referred to in the definitions of this article, even if they are used blended with traditional fuels if the emissions generated from biomass are considered as 0g CO2, as considered in ETS or National Emission Inventories. Thus, a vehicle/truck/vessel using a 100% liquid biofuel would emit 0 gCO2/km meeting the emission thresholds foreseen from 2026 onwards.</p>	

Title: "Definitions."

Point: 2.4 definitions

Amendment

<p>Where it says:</p> <p>Point 2.4.18 (24) ‘demonstration project’ means a project demonstrating a technology as a first of its kind in the Union and representing a significant innovation that goes well beyond the commercial state of the art;</p>	<p>It should say:</p> <p>Point 2.4.18 (24) ‘demonstration project’ means a project demonstrating a technology as a first of its kind in the Union and representing a significant innovation that goes well beyond the commercial state of the art;</p>
<p>Rationale:</p> <p>A strict interpretation of the term "first of its kind" would mean that only one project per technology to be scaled up could be recognised as a demonstration project. As well as presenting challenging problems of defining when one technology application is different from another, this will also cut off at source the considerable ‘learning curve’ benefits to be obtained from multiple projects based on a common core</p>	

technology. We suggest the cumulative demonstration and learning effect should be fully allowed for in this definition.

Title: “Definitions.”

Point: 2.4 definitions

Amendment

Where it says:	It should say:
Point 2.4.18 (27) ‘distribution system operator’ (DSO) means distribution system operator as defined in Article 2, point (29), of Directive (EU) 2019/944 of the European Parliament and of the Council;	Point 2.4. (27) ‘distribution system operator’ (DSO) means distribution system operator as defined in Article 2, point (29), of Directive (EU) 2019/944 <u>and in article 2, point (6) of Directive (EU) 2009/73/EC</u> of the European Parliament and of the Council;
Rationale: Considering the scope and applicability of state aid guidelines for EEAG, the definition should cover distribution system operators on both the electricity and the gas sectors.	

Title: “Definitions.”

Point: 2.4 definitions

Amendment

Where it says:	It should say:
Point 2.4.18 (30) ‘eco-innovation’ means all forms of innovative activities, including new production processes, new products or services, and new management and business methods, resulting in or aimed at significantly improving environmental protection and significantly reducing the environmental impacts of pollution. For the purposes of this definition, the following are not considered innovations: (a) activities leading only to minor changes or improvements on environmental protection;	Point 2.4.18 (24) ‘eco-innovation’ means all forms of innovative activities, including new production processes, new products or services, and new management and business methods, resulting in or aimed at significantly improving environmental protection and/or significantly reducing the environmental impacts of pollution. For the purposes of this definition, the following are not considered innovations: (a) <u>activities leading only to minor changes or improvements on environmental protection; activities that lead to changes or improvements on environmental protection</u>
Rationale: The cumulative condition of (i) improvement of environmental protection and (ii) impact on pollution leads to a very narrow definition. As a result, much of what is currently considered as “eco-innovation” would no longer qualify. Reducing the environmental impact as such should be sufficient. Moreover, environmental impact should be interpreted in a sufficiently broad manner to allow all demonstrable environmental benefits (e.g. CO2 emissions reduction and avoidance, resource efficiency, sustainable products with reduced impact on people and environment, etc.)	

We think that minor changes would not be considered as innovations to avoid the ambiguity concept of determining what is understood as ‘minor change’.

Title: “Definitions.”

Point: 2.4 definitions

Amendment

Where it says:	It should say:
<p>Point 2.4.18 (35) ‘energy infrastructure’ means any physical equipment or facility which is located within the Union or linking the Union to one or more third countries and falling under the following categories:</p> <p>(...)</p> <p>(b) concerning gas: (...)</p> <p>(i) transmission and distribution pipelines for the transport of natural gas, biogas and renewable gases of non-biological origin that form part of a network, excluding high-pressure pipelines used for upstream distribution of natural gas;</p> <p>(v) smart gas grids, which means any of the following equipment or installation aiming at enabling and facilitating the integration of renewable and low-carbon gases (including biomethane or hydrogen) into the network: digital systems and components integrating information and communication technologies, control systems and sensor technologies to enable the interactive and intelligent monitoring, metering, quality control and management of gas production, transmission, distribution and consumption within a gas network. Furthermore, smart grids may also include equipment to enable reverse flows from the distribution to the transmission level and related necessary upgrades to the existing network;</p> <p>(...)</p> <p>(c) concerning hydrogen:</p> <p>(i) transmission pipelines, for the high-pressure transport of hydrogen, as well as distribution pipelines for the local distribution of hydrogen, giving access to multiple network users on a transparent and non-discriminatory basis;</p>	<p>Point 2.4.18 35) ‘energy infrastructure’ means any physical equipment or facility which is located within the Union or linking the Union to one or more third countries and falling under the following categories:</p> <p>(...)</p> <p>(b) concerning gas: (...)</p> <p>(i) transmission and distribution pipelines for the transport of natural gas, <u>low-carbon gases</u>, biogas and renewable gases of non-biological origin that form part of a network, <u>including blends with natural gas</u>, excluding high-pressure pipelines used for upstream distribution of natural gas;</p> <p>(v) smart gas grids, which means any of the following equipment or installation aiming at enabling and facilitating the integration of renewable and low-carbon gases (including biomethane, <u>synthetic gases</u> or hydrogen, <u>including blends with natural gas</u> into the network: digital systems and components integrating information and communication technologies, control systems and sensor technologies to enable the interactive and intelligent monitoring, metering, quality control and management of gas production, transmission, distribution and consumption within a gas network. Furthermore, smart grids may also include equipment to enable reverse flows from the distribution to the transmission level and related necessary upgrades to the existing network;</p> <p>(...)</p> <p>(c) concerning hydrogen:</p> <p>(i) transmission <u>and distribution</u> pipelines, for the <u>high-pressure</u> transport of hydrogen, as well as distribution pipelines for the local distribution of hydrogen, <u>including blends of hydrogen or other forms of renewable or low-carbon gases (e.g. biomethane) and</u></p>

<p>(ii) underground storage facilities connected to the high-pressure hydrogen transmission or distribution pipelines referred to in point (i);</p> <p>(...)</p> <p>(d) concerning carbon dioxide: (...)</p> <p>(i) pipelines, other than upstream pipeline networks, used to transport carbon dioxide from more than one source, that is to say, industrial installations (including power plants) that produce carbon dioxide gas from combustion or other chemical reactions involving fossil or non-fossil carbon-containing compounds, for the purpose of permanent geological storage of carbon dioxide pursuant to Article 3 of Directive 2009/31/EC of the European Parliament and of the Council or for the purpose of using carbon dioxide as feedstock or to enhance the yields of biological processes;</p>	<p>natural gas giving access to multiple network users on a transparent and non-discriminatory basis;</p> <p>(ii) underground storage facilities connected to the high-pressure hydrogen transmission or distribution pipelines or pipelines transporting blends of hydrogen or other forms of renewable or low-carbon gases (e.g. biomethane) and natural gas referred to in point (i);</p> <p>(...)</p> <p>(d) concerning carbon dioxide: (...)</p> <p>(i) pipelines, other than upstream pipeline networks, and all infrastructure and equipment including ships, railways and trucks, used to transport carbon dioxide from more than one source, that is to say, industrial installations (including power plants) that produce carbon dioxide gas from combustion or other chemical reactions involving fossil or non-fossil carbon-containing compounds, for the purpose of permanent geological storage of carbon dioxide pursuant to Article 3 of Directive 2009/31/EC of the European Parliament and of the Council or for the purpose of using carbon dioxide as feedstock or to enhance the yields of biological processes;</p>
<p>Rationale:</p> <p>Definition of pipelines should consider blends of natural gas with renewable and low carbon gases, including hydrogen.</p> <p>All infrastructure and equipment to be developed should be covered. Notably, projects for carbon dioxide transportation via ships and trucks are relevant from a strategic point of view and allow higher economies of scale in view of future CCS hubs that should be considered as a priority at EU level.</p>	

Title: “Definitions.”

Point: 2.4 definitions

Amendment

Where it says:	It should say:
<p>Point 2.4.18 (80) ‘zero-emission transport vehicle’ means:</p> <p>(a) a vehicle of category M1, M2 or N1 with zero tailpipe emissions, as determined in accordance with Commission Regulation (EU) 2017/115143;</p> <p>(b) a vehicle of category M3, N2 or N3 fulfilling the definition of zero-emission heavy duty vehicle set out in Regulation (EU) 2019/1242 of the European Parliament and of the Council44;</p>	<p>Point 2.4.18 (80) ‘zero-emission transport vehicle’ means:</p> <p>(a) a vehicle of category M1, M2 or N1 with zero tailpipe emissions, as determined in accordance with Commission Regulation (EU) 2017/1151;</p> <p>(b) a vehicle of category M3, N2 or N3 fulfilling the definition of zero-emission heavy duty vehicle set out in Regulation (EU) 2019/1242 of the European Parliament and of the Council44;</p>

<p>(c) a vehicle of category L, as defined by Article 4 of Regulation (EU) No 168/2013 and includes two- or three-wheel vehicles or quadricycles, with tailpipe CO₂ emissions equal to 0g CO₂e/km calculated in accordance with the emission test laid down in that Regulation;</p> <p>(d) an inland or sea and costal vessel for passenger or freight transport that has zero direct (tailpipe/exhaust) CO₂ emissions;</p> <p>(e) rolling stock that has zero direct (tailpipe) CO₂ emissions;</p> <p>(f) an aircraft that has zero direct (tailpipe) CO₂ emissions.</p>	<p>(c) a vehicle of category L, as defined by Article 4 of Regulation (EU) No 168/2013 and includes two- or three-wheel vehicles or quadricycles, with tailpipe CO₂ emissions equal to 0g CO₂e/km calculated in accordance with the emission test laid down in that Regulation;</p> <p>(d) an inland or sea and costal vessel for passenger or freight transport that has zero direct (tailpipe/exhaust) CO₂ emissions;</p> <p>(e) rolling stock that has zero direct (tailpipe) CO₂ emissions;</p> <p>(f) an aircraft that has zero direct (tailpipe) CO₂ emissions.</p>
<p>Rationale:</p> <p>We view positively the support for all alternative fuels including sustainable liquid and gaseous biofuels as well as renewable synthetic fuels with the reference to Directive (EU) 2019/1161. We believe they are part of the solution and have the additional advantage of not requiring large additional investments in infrastructure and vehicle replacement. However, we believe that their potential for emission savings is not fully recognized. Currently a "zero g CO₂/km" vehicle is only possible with electricity or hydrogen, ignoring the emission reduction capacity of liquid and gaseous fuels produced from biomass and renewable synthetic liquid and gaseous fuels that are treated as if they were 100% fossil (unlike the European CO₂ Emissions Trading Scheme or ETS, where biomass is treated as zero CO₂). Likewise, the National Emissions Inventory (based on IPCC guidelines), takes into account the renewable origin of biofuels, so that emissions generated by biomass are not computed.</p> <p>Sustainable liquid biofuels and renewable synthetic fuels are capable of meeting the CO₂ and pollutant emission thresholds referred to in the definitions of this article, even if they are used blended with traditional fuels if the emissions generated from biomass are considered as 0g CO₂, as considered in ETS or National Emission Inventories. Thus, a vehicle/truck/vessel using a 100% liquid biofuel would emit 0 gCO₂/km meeting the emission thresholds foreseen from 2026 onwards.</p>	

Title: “Positive condition: the aid must facilitate the development of an economic activity”

Point: 3.1.3. No breach of any relevant provision of Union law

Amendment

<p>Where it says:</p> <p>32. If the supported activity or aid measure or the conditions attached to it, including its financing method when it forms an integral part of the measure, entail a violation of relevant Union law, the aid cannot be declared compatible with the internal market. This may be the case, for instance, where the aid is subject to clauses conditioning it directly 27 or indirectly on the origin of products or equipment, such as requirements for the beneficiary to purchase domestically produced products</p>	<p>It should say:</p> <p>32. If the supported activity or aid measure or the conditions attached to it, including its financing method when it forms an integral part of the measure, entail a violation of <u>relevant</u> Union law the aid cannot be declared compatible with the internal market. This may be the case, for instance, where the aid is subject to clauses conditioning it directly 27 or indirectly on the origin of products or equipment, such as requirements for the beneficiary to purchase domestically produced products</p>
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Rationale: The concept of relevant is uncertain and is not defined along the Guidelines.

Title: “Negative condition: the aid measure must not unduly affect trading conditions to an extent contrary to the common interest”

Point: 3.2.2 Avoidance of undue negative effects on competition and trade

Amendment

Where it says:	It should say:
<p>Point 65. [...] These distortive effects can be particularly important when the aid is granted to projects that provide a limited transitory benefit but lock out cleaner technologies for a longer term, including those necessary to achieve the medium-term and long-term climate targets enshrined under the European Climate Law. This can, for example, be the case for support to certain activities using fossil fuels that provide an immediate reduction of greenhouse gas emissions, but lead to slower emissions reductions in the long term. All other things being equal, the closer the aided investment is in time to the relevant target date, the greater the likelihood that its transitory benefits may be outweighed by the possible disincentives for cleaner technologies. The Commission will therefore take into account these possible short and long term negative effects on competition and trade in its assessment.</p>	<p>Point 65[...] These distortive effects can be particularly important when the aid is granted to projects that provide a limited transitory benefit but lock out cleaner technologies for a longer term, including those necessary to achieve the medium-term and long-term climate targets enshrined under the European Climate Law. This can, for example, be the case for support to certain activities using fossil fuels that provide an immediate reduction of greenhouse gas emissions, but lead to slower emissions reductions in the long term. All other things being equal, the closer the aided investment is in time to the relevant target date, the greater the likelihood that its transitory benefits may be outweighed by the possible disincentives for cleaner technologies. The Commission will therefore take into account these possible short and long term negative effects on competition and trade in its assessment <u>and also the state of art for technologies and sectors where abatement of emissions is not possible through electrification.</u></p>
<p>Rationale: The Commission should take into account sectors like aviation or maritime, where the abatement of emissions is not possible through electrification.</p>	

Title: “Aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy.”

Point: 4.1.2 Scope and supported activities

Amendment

Where it says:	It should say:
<p>Point 4.1.2 Scope and supported activities (76) Support for biofuels, bioliquids, biogas and biomass fuels can only be approved to the extent that the aided fuels are compliant with the sustainability and greenhouse gases emissions saving criteria in Directive (EU) 2018/2001 and its implementing or delegated acts.</p>	<p>Point 4.1.2 Scope and supported activities (76) Support for biofuels, bioliquids, biogas, and biomass fuels, <u>Renewable Transport Fuels of non-Biological Origin and Recycled Carbon Fuels</u> can only be approved to the extent that the aided fuels are compliant with the sustainability and greenhouse gases emissions saving criteria in Directive (EU) 2018/2001 and its implementing or delegated acts.</p>

Rationale:

To be fully aligned with the Directive EU) 2018/2001, Renewable Transport Fuels of non-Biological Origin and Recycled Carbon Fuels must also be included in this point to ensure that they meet the sustainability and emission savings reduction criteria foreseen in the Directive.

Title: “Aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy.”

Point: 4.1.3.4 Public consultation

Amendment

Where it says:	It should say:
<p>Point 86 No public consultation is required for measures falling under point 85(b) where competitive bidding processes are used and the measure does not support investments in fossil-fuel based energy generation or industrial production.</p>	<p>Point 86 No public consultation is required for measures falling under point 85(b) where competitive bidding processes are used and the measure does not support investments in fossil-fuel based energy generation or industrial production.</p>
<p>Rationale: The industrial production cannot be considered as contrary to these state aid guidelines of the European union, the only limitation should be the justification in point 110 of the guidelines.</p>	

Title: “Aid for clean mobility.”

Point: 4.3.1.4.2 Proportionality

Amendment

Where it says:	It should say:
<p>Point 158</p> <p>By way of derogation from points 155, 156 and 157, where the expected number of participants is not sufficient to ensure effective competition or avoid strategic bidding or where a competitive bidding process, as described in points 48 and 49, cannot be organised, the aid may be granted without a competitive bidding process. In such cases, the basic aid intensity must not exceed 40 % of the eligible costs. This aid intensity may be increased by 10 percentage points for zero-emission transport vehicles; and by 10 percentage points for medium-sized enterprises or by 20 percentage points for small enterprises.</p>	<p>Point 158</p> <p>By way of derogation from points 155, 156 and 157, where the expected number of participants is not sufficient to ensure effective competition or avoid strategic bidding or where a competitive bidding process, as described in points 48 and 49, cannot be organised, the aid may be granted without a competitive bidding process. In such cases, the basic aid intensity must not exceed 40 % of the eligible costs. This aid intensity may be increased by 10 percentage points for zero-emission transport vehicles; and by 10 percentage points for medium-sized enterprises or by 20 percentage points for small enterprises; <u>as well as those economic interest groups, joint ventures and consortiums with or without legal personality</u></p>

Rationale: In some jurisdictions as part of the enactment of Next generation funds is foreseen that some joint ventures, consortiums etc, that incorporates small and medium-sized enterprises can receive some European funds, in the same line those consortiums that incorporates small and medium-sized enterprises should be subject of these aids.

Title: “Aid for energy infrastructure”

Point: 1.9.2 Scope

Amendment

Where it says:	It should say:
<p>333. Similarly, the Commission considers that there is no State aid involved in investments where the energy infrastructure is run under a ‘natural monopoly’, which is deemed to exist where the following cumulative conditions are met:</p> <p>(...)</p> <p>(c) the infrastructure is not designed to selectively favour a specific undertaking or sector but provides benefits for society at large, which is normally the case for gas and electricity infrastructure.</p>	<p>333. Similarly, the Commission considers that there is no State aid involved in investments where the energy infrastructure is run under a ‘natural monopoly’, which is deemed to exist where the following cumulative conditions are met:</p> <p>(...)</p> <p>(c) the infrastructure is not designed to selectively favour a specific undertaking or sector but provides benefits for society at large, which is normally the case for gas, hydrogen, carbon dioxide transport and electricity infrastructure.</p>
<p>Rationale: It should also include reference to hydrogen and CO₂ as both are crucial for hydrogen market development, so to be consistent with paragraph 35 of the CEEAG</p>	

Title: “Aid for district heating or cooling.”

Point: 4.10.2 Scope and supported activities

Amendment

Where it says:	It should say:
<p>Point 4.10.2 Scope and supported activities (342)</p> <p>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.</p>	<p>Point 4.10.2 Scope and supported activities (342)</p> <p>Such aid measures typically cover the construction or upgrade of the generation unit to use renewable energy and low carbon 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.</p>