



Contribution to the CEEAG public consultation

Introduction

Eneco is an energy service company with customers in the Netherlands, Belgium, Germany and the United Kingdom. We develop and operate on- and offshore wind assets, solar farms, gas-fired power plants, heat networks, renewable heat sources, storage assets (batteries, heat), energy management systems and charging services for electric vehicles. Eneco also provides industries with assistance in decarbonisation, for example by offering services for electric boilers replacing conventional heat production.

Eneco welcomes the broadening of the CEEAG scope to contribute to delivering the European Green Deal. Electrification is crucial for delivering the EU's objective to reach at least 55% emission reductions by 2030 and to become climate neutral by 2050. Direct electrification (e.g. electric boilers supplying heat for industrial processes) and indirect electrification (e.g. electrolyzers producing hydrogen) will require a significant increase of investments. However, electrification of industrial processes can have higher operational costs than conventional production processes due to the price difference between electricity and fossil fuels and differences in network charges. Therefore, state aid measures can be necessary to ensure a timely introduction and development of electrification.

Abatement resulting from electrification should be rewarded

Under the right conditions, direct and indirect electrification results in significant greenhouse gas emission reductions. For state aid to electrification it is relevant to evaluate the precise level of greenhouse gas reductions that is delivered. The more emissions reduction per MWh is realized, the more state aid is justified. In this context, three situations are relevant to take into considerations:

1. the electricity used by the industrial installation is taken from the grid;
2. the electricity used by the industrial installation is taken via a direct line with an installation generating renewable electricity;
3. the electricity used by the industrial installation is taken from the grid and the electricity is contracted with a renewable Power Purchasing Agreement (PPA) from a installation generating renewable electricity.

ad 1. If the electricity is taken from the grid (situation 1), the average share of electricity from renewable sources , determines the amount of greenhouse gas emissions reduction for which the subsidy is allowed.

ad 2. If the electricity is taken via a direct connection, the greenhouse gas emission of the renewable installations (which are zero) determines the amount of greenhouse gas reduction for which the subsidy is allowed.

ad 3. Situation 3 should in principle not be different from situation 2 in the context of state aid. After all, the renewable electricity is produced and contracted exclusively for the industrial installation that is investing in electrification.

Power Purchasing Agreements are private contracts, but are also a way to demonstrate that an industrial installation is using exclusively electricity from an additional renewable energy production installation. Making aid measures conditional on a agreeing a new Power Purchasing Agreement, will help to provide a cost-efficient and direct incentive for investments in additional renewable electricity production.

Indeed state aid should not lead to “shifting” greenhouse gas emission reduction from one sector to another. Therefore the additionality of renewable generation should be assured. In order to guarantee additionality, the ongoing discussions about the Delegated Act pursuant to the 7th subparagraph of Article 27(3) of the Directive (EU) 2018/2001 (Renewable Energy Directive) are relevant, where requirements for the timing of investments, simultaneous production and consumption and geographical proximity of renewable electricity production play a role.

Eneco would support the relevance of these requirements for the CEEAG, with the following remarks:

- a limited time period in which the renewable electricity production installation and the industrial installation with electrification are starting operation is justified but we believe that a more flexible arrangement would be better suitable, allowing more time under certain conditions;
- we support the requirement that renewable electricity production installation does and has not received subsidies;
- requirements for measurements to check simultaneous production and demand on an hourly or 15-minute intervals are feasible. The technology is available and affordable. We refer in this light to existing telemetry measurement devices installed at power plants and large electricity consumers. We also would like to point at the Energy Tag project where certifiers, electricity producers, electricity consumers and technology companies are jointly demonstrating the matching of electricity supply and demand.

Clarifications on paragraphs 99 and 100 are needed

99. To deliver positive environmental effects in relation to decarbonisation, the aid must not merely displace the emissions from one sector to another and must deliver overall greenhouse gas emissions reductions. Short and long term interactions with any other relevant policies or measures, including the Union's ETS, should be considered.

100. To avoid the risk of double subsidies and ensure the verification of the greenhouse gas emissions reductions, aid for the decarbonisation of industrial activities must reduce the emissions directly resulting from that industrial activity. Aid for improvements of the energy efficiency of industrial activities must improve energy efficiency of the beneficiaries' activities.

Eneco would like to propose a clarification in the state aid guidelines on how paragraph 99 and 'directly resulting in greenhouse gas emission reductions' (paragraph 100) should be understood. In particular, it should be clear which methodologies could be used by Member States to evaluate the contribution of electrification to greenhouse gas emission reductions.

Eneco believes that besides using the greenhouse gas emissions of the electricity mix, also methodologies based on demonstrated use of a specific renewable energy asset should be accepted. These methodologies have a zero CO₂ output. Therefore, it should be possible to allocate the zero emission performance to electrification projects in the context of state aid.

This could take the form of an aid beneficiary demonstrating that power from a specific renewable energy production installation is used, via a direct line or a Power Purchasing Agreement. The more

specific requirements that DG Energy is developing in the context of a Delegated Act based on Article 27 of the Renewable Energy Directive could be helpful in this regard. However, these requirements should not only be applied for aid to renewable fuels of a non-biological origin (RFNBOs), but should be applied to all forms of electrification in the context of the CEEAG. As stated above, we remark that the criteria for the time-period between the start of operation of the renewable asset and the industrial installation applying electrification need more flexibility in our view.

Please find below a proposal for a new paragraph 100a in the guidelines:

Text proposal EU Commission	Amendment
	<p>(New): 100a.</p> <p><i>Member States may take aid measures es for greenhouse emission reductions via the electrification of industrial activities, including direct and indirect electrification. For evaluating the greenhouse gas emissions reductions Member States may use a methodology based on the share of renewable electricity in the electricity mix of the bidding zone in which the industrial installation is located, or a methodology based on the greenhouse gas reductions related to a specific renewable electricity production installation that is connected via a direct line or a renewable power purchasing agreement to the industrial installation.</i></p> <p><i>Also the methodologies developed pursuant to the 7th subparagraph of Article 27(3) of the Directive (EU) 2018/2001 for accounting electricity for producing hydrogen and the resulting hydrogen as fully renewable may be used, applying these methodologies to all forms of electrification of industrial activities.</i></p>