

## **Guidelines on State aid for climate, environmental protection and energy 2022 (CEEAG)**

### **Enel Group response**

#### **General comments**

We welcome the new European Commission proposal since it provided flexibility and expanded the scope of the draft Guidelines on State aid for climate, environmental protection and energy (CEEAG) to reflect the Green Deal objectives and 2050 Carbon neutrality.

To reach the greenhouse gas emission reduction targets, it is estimated that annual EU-wide investments of €350 billion will be required and such investments cannot be borne by private means alone, and so will require public support to economy activities that help achieve the EGD goals in a proper regulatory framework, competition environment and a level playing field in the internal market. The expanded CEEAG acknowledges this need, also in line with the green transition supported through national and EU funds and the Recovery and Resilience Funds.

Finally, we recognize that to prevent competition distortions from the increased scope, new instruments, and the amount of aid allowed, the CEEAG adds safeguards such as market-based instruments, e.g. competitive bidding process and investors participation through public consultation on the main design of aid scheme.

However, energy transition towards climate neutrality does not fully take a centre stage under the State aid rules yet.

Aid should not lead to lock in or displace cleaner technologies. Therefore, there should be appropriate evidence or binding commitments for aid to natural gas to ensure long-term compliance with the 2050 goals and for aid to fossil fuels to lead to a phase-out.

In this context, we are advocating for focusing the efforts on green/renewables activities such as renewables hydrogen as the low-carbon or transitional fuels have a very limited room of appliances if Europe aims at reaching the 2050 Carbon neutrality.

#### ***Do not significant harm principle/EU Taxonomy principle (§69; §113)***

On the effort to create a taxonomy or classification system to provide market clarity on what economic activities should be considered “sustainable” and to prevent “greenwashing”, the reference to EU Taxonomy Regulation is welcome as a tool for climate transition and an enabler of the European Green Deal. However, this new EU Taxonomy framework applies primarily to private investments, and actually, there is no direct legal link to the State aid rules applicable to the energy and the environmental protection. Moreover, it does not offer sufficient legal certainty as it is still under development, including the relevant delegated acts setting out the technical screening criteria of the various economic activities.

## Aid Categories

### 4.1 Aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy

In line with the “Fit for 55” package” objectives, aid for the reduction and removal of greenhouse gas emissions (4.1) broadens the scope of this new category to all technologies that can deliver the European Green Deal, allows higher aid amounts (100% of the funding gap) through competitive bidding as well as introduces new aid instruments (e.g. Carbon Contracts for Difference).

We think that among the different technologies listed in this aid category, also storage should be explicitly mentioned section 4.1.2 paragraph 74 to reflect the growing importance of energy storage in supporting the cost-effective system integration of variable renewables and in avoiding renewables curtailment.

We agree that the approach to calculate aid amounts based on bidding procedure, as the default mechanism for awarding aid and setting the level of aid, should limit overcompensation and create incentives for companies to optimise their cost structure and efficiently compete in the bidding process. However, competitive bidding opened to all competing activities, subject to justified exceptions and the cost of aid per CO<sub>2</sub> equivalent reduced should be clearly identified through comparable methodologies and assumptions for evaluating the GHG emissions reductions (§ 98)..

In this context, it should be highlighted that the State aid in €/CO<sub>2</sub> avoided should not be subject to retroactive change for the project that obtained the subsidy, regardless if the estimated contribution of the project to the GHG emission reduction changes over time.

For example, according with the principles for the calculation of greenhouse gas emissions reductions used for the EU Innovation Fund, the calculation of GHG emission avoidance is made comparing the RES projects with the projected energy mix that could change over time.

For what concerns **Carbon Contract for Differences**, section 4.1.4 (§103) footnote 61, we are concerned that the implementation of CCfD for low carbon (blue) and renewable hydrogen will substantially support the most mature and short-term cheapest solution/technology (i.e. blue hydrogen). CCfD are based on “current abatement costs” of the technologies and do not take into account the decarbonization potential of such solutions, de facto promoting cheaper shorter side solutions rather than longer term and more sustainable solutions that will soon become competitive thanks to a sustained deployment. In case CCFDs will be used, the possibility to keep separate auctions for renewable and low carbon hydrogen should be ensured, or alternatively to recognize a premium to renewable hydrogen.

Moreover, support to natural gas technology is allowed, provided that *MSs explain how they will ensure that the investment contributes to achieving the Union’s 2030 climate target and 2050 climate neutrality target. In particular, the Member States should explain how a lock in of this gas-fired energy generation or gas-fired production equipment will be avoided. For example, this may include binding commitments by the beneficiary to implement decarbonisation technologies such as 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* (point 110).

It should be highlighted that CCS/CCU are technologies still at an early stage, despite the support to those kind of projects started many years ago, and it is yet to prove their availability from a technical and economic point of view. **Therefore, it is hard to demonstrate that a State aid granted today will not determine a lock-in effect in the future thanks to technologies that may not ever be available in the future**

## Renewable energy sources

The EC's draft guidelines envisage merging aid dedicated to supporting renewable energies into this broader category dedicated to reducing GHG emissions (detailed in paragraph 4.1).

Paragraph 4.1.3.4 introduces, as a new element compared to the previous version of the guidelines, the obligation to carry out a public consultation prior to notification in order to ensure transparency and avoid distorting effects on competition. However, we hope that the introduction of this instrument will not lengthen the time it takes to accept an application for aid, by providing for definite and peremptory deadlines for the entire process.

Moreover, there might be also a need of intervention from EC in case participants to the public consultation complain about the fact that their opinions were neglected by national authorities without due reasons.

We welcome the possibility for Member States, introduced by paragraph 4.1.3.5, to use support **schemes with renewable obligations on retailers**; in this regard, it is provided to set a level of “demand” for renewables lower than the potential supply, as well as the definition of a penalty for non-compliance with the obligation at a sufficiently high level to encourage compliance with the obligation itself.

Paragraph 4.1.3.5 also identifies **competitive auctions as the “default mechanism”** for the allocation of aid, recognising a central role for this procedure in continuity with the previous version of the guidelines. We welcome this approach. Aid may be granted, among the various possible methods, in the form of advance subsidies or two-way CfDs.

The Commission provides also a derogation from the obligation to allocate aid through a competitive bidding mechanism for small generation plants (§92), as defined by Art. 5 of Reg. 2019/943. Nevertheless, the same Regulation provides a reduction trend for what concerns plant size in order to fall within the definition of “small projects” (400 kW until 2026, then 200 kW), it is worth to highlight the risk of a discouragement in the development of such projects in presence of an overly strict limit.

Paragraph 4.1.4 introduces (also as a potential pre-requisite for receiving aid) the onus on Member States to demonstrate that they have adopted reasonable measures to ensure the effectiveness of the system (§101).

In any case, the EC proposal correctly requires that aid beneficiaries remain exposed to spot price variations and market risks, in order to allow efficient integration of renewable energy installations into the grid and the market, and so as not to encourage these assets to bid below their marginal costs.

On that basis, we would also recommend that tender rules should provide flexibility to the RES investors and ensure compatibility with CPPAs.

We welcome the insertion of a provision stating that refurbishment related activities on operating renewables plants (repowering activities or any other modifications for improving the performance of the plants) that takes place during the CfD period, should not have any effect on the remained years and the level of the support assuming that the capacity remains in the same levels (tolerance+ 20% should be possible, due to the fact that equipment changes, and some turbines are no longer in production).

That is why **it would be necessary to introduce regulatory measures to streamline, rationalise and accelerate authorisation procedures**, which would be tangible and effective immediately both for new plants and for those that already exist and need to be modernised.

## Storage

The draft EC guidelines do not foresee an ad hoc chapter for storage, but it is covered in several areas: decarbonisation (4.1), buildings (4.2), mobility (4.3), security of supply (4.8).

Storage is not included in the chapter on energy infrastructure (4.9), unless they are classified as “network components” or in the misleading reference of Projects of Common Interest (PIC projects such as pump storage and electrolyser projects) under TEN-E legislation.

In light of this, it seems that State aid is certainly envisaged for small-scale storage combined with renewable energy production plants and/or charging infrastructure for electric mobility and we really appreciate it.

Moreover, it is crucial to make sure that the same level playing field applies to all storage technologies thus avoiding discrimination.

Therefore, all types of storage, including stand-alone and combined also with renewable power plants, should be explicitly covered in this section to reflect their growing role in contributing to the decarbonisation in terms of integration of renewable sources and avoiding curtailment of renewable energy. In particular, we make also reference to article 54 of the Directive 944/2019 in order to ensure that the procedures for the procurement of storage systems are carried out as market asset and fairly as possible.

**All types of storage should, therefore, be expressly included among the measures referred to in chapter 4.1.**

## Hydrogen from renewables (with electrolyser)

Clean Hydrogen has been identified by the European Commission as a possible way to achieve the decarbonization of hard to abate sectors. As a complement to electrification and once respected the energy efficiency first principle, green hydrogen and its derivatives can effectively and efficiently contribute to the reduction of the GHG emissions in certain segments of the industry and the transport sectors, either as a feedstock, or as an energy carrier, or as a fuel.

The EU Hydrogen Strategy has elected renewable hydrogen produced by electrolysis as the only medium to long-term sustainable solution, by setting ambitious targets of development for the next years. These targets will be most probably reflected in sectorial legislation, such as in the Renewable Energy Directive, in the next months.

On the other side, low-carbon hydrogen (e.g. hydrogen produced by SMR + CCS) has been identified as a temporary and not-necessary solution.

Moreover, the EU Taxonomy is also defining CO<sub>2</sub> emission thresholds associated to the production of hydrogen in order to consider it as sustainable. When referring to blue hydrogen, it would limit it only to efficient processes of carbon capture.

One of the major barriers that the deployment of clean hydrogen is facing is a cost barrier, being it not competitive with respect to the fossil based alternatives it should substitute (e.g. grey hydrogen or natural gas). Renewable hydrogen is also currently more expensive than blue hydrogen. Competitively allocated public funding and support schemes should help to overcome this market failure, which is due to multiple externalities particularly associated with carbon and learning. If driven by sustainable policy choices, the supported deployment at scale of renewable hydrogen should make it competitive in the next decade.

**Support schemes for renewable hydrogen and its derivatives should be based on competitive tenders and help to bridge the cost gap with respect to fossil fuels alternatives.**

**They could be based both on a €/MW (in order to support investments which consist of electrolyzers as well as RES power plants) and a €/kgH<sub>2</sub> (in order to bridge the gap in production costs) basis.**

**A link with final uses (hard to abate sectors) should be ensured, in order to avoid supporting H<sub>2</sub> for uses that can be decarbonized with other means: with a no-regret approach, in a first period these uses should be in prevalence H<sub>2</sub> uses as industrial feedstock as well as sustainable advanced fuels for the shipping and aviation sectors.**

The production and use of clean hydrogen can be considered as one of the technologies eligible for the aid cover under the new category of aid for the reduction and removal of greenhouse gas emissions (4.1).

The draft guidelines, while pursuing for a technology neutral approach, recognize that certain technologies could be supported with specific forms of aid, while respecting the criteria of the “Minimisation of distortions of competition and trade” and its “Eligibility” and “Proportionality” conditions, provided that:

(§ 83)

[...]

- a measure targets a specific sectoral or technology based target established in Union law, such as a renewable energy or energy efficiency scheme;
- a Member State provides evidence that eligible sectors or innovative technologies have the potential to make an important contribution to environmental protection and deep decarbonisation in the longer term, particularly in terms of cost effectiveness;

(§ 90)

- the level of support that different categories of beneficiary are expected to require deviates significantly; in that case, separate competitive bidding processes may be used so that categories of beneficiary with similar costs compete against each other.

Renewable hydrogen could then be considered as one of the technologies that a Member State could support via dedicated measures, taking into consideration the policy objectives and targets identified in the Hydrogen Strategy and the Renewable Energy Directive as well as its innovative characteristics and cost structure. This would be valid not only with respect to other energy vectors capable of contributing to decarbonization, but also with respect to hydrogen produced in other ways (e.g. blue hydrogen).

Regarding hydrogen produced by fossil sources (with or without carbon capture), we welcome some of the provisions of the guidelines (§ 65, § 108) which correctly highlight the need to avoid the creation of barriers for innovative and cleaner technologies, e.g. by granting “aid to projects that provide a limited transitory benefit but lock out cleaner technologies for a longer term”, by supporting “certain activities using fossil fuels that provide an immediate reduction of green house gas emissions, but lead to slower emissions reductions in the long term”. Besides, we also support the Commission provisions point out that “should also verify that the aid measure does not stimulate or prolong the consumption of fossil-based fuels or energy” evidently in absence of a well-found reason related to security of electricity supply need in the transition phase for early moving Countries, and, of course we agree that as general principle Member States should “explain how they intend to avoid that risk”.

Chapter 4.1. also identifies competitive bidding processes (§ 89) as the privileged tool to assign the aid as well as leave a certain flexibility in the form of aid to be recognized, including up front grants or CfDs (§ 103).

Finally, in the process of requesting the compatibility assessment of the aid, Member States should estimate the subsidy per tonne of CO<sub>2</sub> equivalent emissions avoided for each beneficiary or reference project, and the assumptions and methodology for that calculation provided (§ 98).

While the framework for the introduction of an aid to renewable hydrogen is mostly positive and correctly considered in the more general framework of aid for reduction of GHG emissions, some additional elements should be considered by Member States in their request for approval and by the European Commission in the compatibility assessment, specifically - Final Uses for Hydrogen.

#### - Final Uses for Hydrogen

Clean Hydrogen is a costly and scarce resource. Its use should be channeled towards no regret applications that have limited other alternatives to decarbonize. Member States should clearly identify those sectors in their decarbonization strategies (feedstock, high grade heat, aviation and shipping) and consequently support a combined development of supply and demand of hydrogen: support to hydrogen production should hence be clearly linked to the kind of off taker.

In this respect, while a metric such as the one proposed in the draft guidelines (subsidy per tonne of CO<sub>2</sub> equivalent emissions avoided) could be undoubtedly a good proxy of the efficiency in assigning the aid, it could however underestimate some aspects which have to be taken into account in the assessment.

First, the energy efficiency first principle should always be demonstrated by Member States and verified by Commission, including on the production and use of hydrogen. Where direct electrification is an alternative, the primary resource is undoubtedly used in a more efficient way.

Secondly, from an economic efficiency perspective, such proposed metric could underestimate additional costs that are more related to the infrastructure needs of the hydrogen economy in certain uses (e.g. mobility but also heating and cooling), which could benefit of additional aids not included in the specific aid evaluated by chapter 4.1. (more related to the production, substitution and use of an energy vector with respect to another) and that should indeed be considered in the overall evaluation of the emission reduction cost.

This aspect is strictly related to one of the main policy objectives pursued by the Energy System Integration Strategy which is the decarbonization at the least cost

#### - Support to low carbon hydrogen

As a general consideration, support to low carbon hydrogen from fossil fuels (blue hydrogen) should be avoided in the framework of state aid.

The main tool for its possible development should be carbon pricing and not state aid. Decarbonization through low-carbon hydrogen and fuels should be driven basically by a sound CO<sub>2</sub> price. Hence, the basic option to promote such low-carbon fuels should be to strengthen the ETS and the national measures derived from the ESR.

In this regard, while considering the possibility for Member States to support low carbon hydrogen, the following elements should be carefully considered in the evaluation by the European Commission

- Low carbon hydrogen and renewable hydrogen should be subject to separate tendering schemes, as per § 83 and § 90
- Low carbon hydrogen should be compliant with taxonomy and renewable energy directive requirements in terms of carbon emission thresholds
- In the evaluation of the costs per avoided GHG emissions as per § 98,
- All the hidden upstream (at the level of natural gas production and transportation) and downstream emissions (at the level of CO<sub>2</sub> networks and storage) should be considered

- All the costs related to the capture, transport and storage and CO<sub>2</sub> should be considered, including hidden costs not supported by blue project promoters thanks to e.g. different support schemes or funding provided to different CO<sub>2</sub> network/storage operators
- The risk of stranded assets and the mitigation costs that would anyway be necessary in the long term to offset residual emissions to reach net emissions neutrality should be internalized and factored in the scheme.

#### **4.2 Aid for the improvement of the energy and environmental performance of buildings**

We welcome the new aid rules on improvement of the energy and environmental performance of buildings in the context of the 'Fit for 55' package, as the "Energy Efficiency First" principle constitutes one of the main pillars of the EU's fight against climate change and a successful and sustainable energy transition.

The decarbonization of the buildings sector is crucial to deliver on the EU's 2030 and 2050 climate and energy objectives, given that buildings are responsible for 40% of total energy consumption and 36% of energy-related greenhouse gas emissions in the EU. The current efforts deployed at European level to accelerate the renovation rate of the existing building stock has not been sufficient neither to drive long-term decarbonization of buildings nor to alleviate energy poverty levels.

However, there are some shortcomings in the draft that should be addressed in the following provisions:

(§114) The rationale for aid (4.2.1), besides the problem of split incentives between owners and tenants of a building, should also consider the existing barriers for individual owners or tenants within a multi dwelling – such as apartment buildings – and incentivize the energy renovation of individual units. Moreover, aid intensity for renovation should be accordingly to different building types and the corresponding barriers to overcome.

(§118) Scope and support activities (4.2.2)

(a,b) Both for existing as for new buildings, the aid should induce to energy performance improvements leading to a reduction of primary and final energy demand. To be aligned with the Energy Efficiency and the Energy Performance of buildings Directives, both primary and final energy demand have to be considered. Moreover, savings in final consumption reflect better the real energy savings over the whole energy system, as one unit in final energy translates in multiplied savings of primary energy. Final energy consumption is more relevant to end consumers and provides them the required information to properly manage their energy use.

(b) For new buildings, the 10% of primary energy savings should not be based upon the threshold set for the nearly zero energy building requirements established at Member State level. The definition of nearly zero energy buildings as included in the EPBD is too broad and no numeric thresholds are defined at EU level, leading to widely differing definitions from country to country. The EPBD is currently under review, for which it is advisable to set thresholds accordingly to any new definition that the revised directive might bring.

Incentive effect (4.2.3)

(§121) on aid should not be restricted to projects with a payback period longer than 5 years as for the current proposal. This could leave numerous smaller projects out of scope, which altogether might create a greater impact on overall energy performance.

Therefore, we highlight that the payback period should be set at 3 years since under this threshold the investment is usually made. Longer paybacks make it increasingly difficult, especially B2B and tertiary sector.

#### 4.3 Aid for clean mobility

The development of electric mobility plays a crucial role in achieving the European decarbonization objectives, therefore we welcome this new aid category for clean mobility supporting the acquisition of clean transport vehicles and creation of recharging infrastructure, generally granted through competitive bidding, since electric mobility is the key factor in reaching EU energy efficiency objectives and reducing emissions from road transport and represent the clear pathway towards zero-emission mobility goal of EU, also in terms of reducing environmental pollution and improving the health of citizens.

##### *(4.3.1) Aid for the acquisition and leasing of clean transport vehicles and clean service equipment and for the retrofitting of vehicles*

However, there are some clarifications or shortcomings in the draft that should be addressed in the following provisions:

(§156) If criteria other than the aid amount are included in the bidding process, additional selection criteria such as expected environmental benefits of the investment in terms of CO2 equivalent **and** to other pollutant reductions throughout its lifetime.

Under aid granted through competitive bidding (4.3.1.4.2), we think that transport also affects heavily air quality, noise pollution and health. Despite improvements in fuel quality and vehicle efficiency, road transport remains a major cause of air pollution (in particular, continues to make the biggest contribution to emissions of NOX, 39%, as well as producing relevant contributions to primary and secondary emissions of Particulate Matter). Although emissions of the main air pollutants from transport have generally declined in the last two decades, many of the EU's urban dwellers remain exposed to air pollutant levels that exceed EU air quality standards. Therefore, we recommend that the two criteria should be considered.

Concerning the similar provisions (§162) and (§185), we believe that taking into account the long refueling infrastructure's lifetime, the period to consider for assessing if cleaner alternatives are not expected to be available in the short term should be more than four years following the notification or the implementation of the aid measure. Therefore, it is paramount to avoid supporting the deployment of infrastructure that could become quickly outdated and eventually creating long-term lock-in effects on dirtier technologies or become stranded assets.

For the same reason, a minimum blending threshold fixed at 20% as proposed in 185 is far to assure the long-term sustainability. In order to be considered a viable alternative to the infrastructure for zero emission vehicles the Member State should commit to ensure that the refueling infrastructure would be operated on 100% renewable bio or synthetic fuels. Additionally, the fuels should comply with sustainability criteria, provisions and limitation (e.g. limitation on biofuel produced by food crops, cooking oil etc.) as defined on renewable energy directive.

##### *(4.3.2) Aid for the deployment of recharging or refuelling infrastructure*

Considering the rationale for the aid (4.3.2.1) for the *deployment of recharging infrastructure in the* (§172) The rationale for the aid in this section states, "*Furthermore, the recharging and refuelling infrastructure is not spread evenly across Member States. At the same time, as long as the share of clean transport vehicles in operation remains limited, the market alone may fail to deliver the recharging and refuelling infrastructure needed.*" Therefore, to be in line with this rationale, when

assessing the necessity of aid for the deployment of recharging and refuelling infrastructure, the market penetration of the vehicles should not be taken into account as a key factor, otherwise this gap could not be filled. Aid should be granted also for market failure area, where the investment remuneration is not granted.

On the assumption that aid for recharging infrastructure is awarded through competitive bidding processes to ensure it remains limited to the minimum necessary and create the right incentives for companies to costly-efficient invest, we highlight that it is also crucial to ensure that CPOs are the participants directly involved in the competitive processes.

(§177) Due to the large impact of the business model, also these costs should be included in the eligible costs such as :

- “Enabling public funds for projects deployed with an “as-a-service” business model (thus including also operating expenses)”
- The related project management works
- Pilot preparation, deployment and assessment
- Communication and Dissemination

Regarding the (§189) about proportionality provision related to access by third parties, including publicly accessible recharging or refuelling infrastructure some clarifications are needed:

- The development of e-mobility across the single market **depends on open interoperable technology and communication protocols**, to which non-discriminatory and uniform communication protocols in EV charging infrastructure are fundamental to ease charging experience for users, regardless of charging networks and regions.
- **Open protocols are paramount** to avoid closed ecosystems and to encourage and accelerate the uptake of EVs across the EU, and that publicly available charging stations allow users to charge and pay on an ad hoc basis.
- **A harmonized approach** (e.g. through specifications on issues such as metering, concession processes, payment means etc) will ensure that EV charging infrastructure will be deployed in a way that guarantees a cross-border and seamless transition to e-mobility.
- Finally, in many provisions, there is no long term plan of what is expected or what should be deployed across private, commercial, and public sites over the next decade in order to respond to EV charging needs. In this context, we highlight that one more important factor for the development of electric mobility is represented by the cost of electricity which is purchased by the operator of recharging points to provide the recharging service at recharging points accessible to the public.
- Therefore, in order to promote the development of electric mobility, it would be important to provide aid in the form of reduced electricity costs to the operators of recharging points, which deliver the recharging service to users (also on behalf of Mobility Service Providers). Such aid should apply, in particular, to the component of the electricity tariff relating to system charges. This incentive should be focused at least in the early-stage of the development of electric mobility. Such aid measures could be weighed in accordance with a sufficient vehicle demand to address in full the market failures concerned. This measure would not create a distortion of the competitive dynamics of the sector, being applied to all operators of recharging points.

#### 4.8 Aid for the security of electricity supply

With regard to the security of electricity supply issue, the proposal for the EC guidelines identifies aid measures aimed at increasing the security of electricity supply through capacity mechanisms, strategic reserves, interruptibility schemes and network reserve to be subject to aid notification. However, in the compatibility assessment, the EC should make a clear distinction among market-wide capacity mechanisms and the other targeted aid measures identified under this aid category. A market-wide capacity market, such as the Italian liability options one, will contribute to ensure sufficient electricity supply minimising the distortion of competition or trade in the Internal electricity market, instead the other targeted instruments, strategic reserves, interruptibility schemes, network reserve cover only a small part of capacity or specific region. Moreover, Member States which are proposing to introduce more than one targeted instruments, these should be allowed only if temporary and clearly justified also in terms of fossil fuels phasing-out needs as well as it should well explained how they interact with one another in reaching the reliability standard. Furthermore, we welcome the new provisions that updated the aid rules to reflect the amended sectoral legislation such as Regulation 943/2019 (e.g. Emission Performance standards, public consultation requirements)

#### **4.9 Aid for energy infrastructure**

Aid for energy infrastructure now covers new and emerging categories

Aid for fossil fuel infrastructure is not included in the scope of CEEAG and to receive aid, natural gas infrastructure (e.g. LNG) should be suitable to use hydrogen and renewable gases in the long-term.

##### **Gas and Hydrogen infrastructures**

The decision not to include fossil fuel infrastructures in the proposed guidelines is welcome.

The same consideration applies to natural gas infrastructure investments (also excluded unless (i) compatibility with the 2030 and 2050 decarbonisation targets is demonstrated (ii) they are built to be hydrogen ready (iii) technological lock-in effects are avoided).

The scope of the guidelines would also be extended to new categories of infrastructure that have become increasingly relevant since the introduction of the guidelines, such as hydrogen transport pipelines, as well as further new categories of infrastructure that may emerge in the coming years.

With particular reference to hydrogen transport infrastructures, it is considered that the eligibility of such infrastructures for state aid should be conditional not only on emission reductions, but also on a cost-benefit analysis demonstrating that it is the most cost-effective way to transport hydrogen, for example by comparing it with a model for producing green hydrogen close to where it is consumed and transporting the necessary electricity via power lines.

It is agreed that aid to low-carbon forms should not divert investment from clean alternatives already available on the market or hinder their market development. Therefore, it is agreeable that the Commission should also verify that the aid measure does not stimulate or prolong the consumption of fossil fuels and energy, thereby hindering the development of cleaner alternatives.

#### **4.12 Aid for coal, peat and oil shale closure**

The draft guidelines proposed by the EC foresee in chapter 4.12 the compatibility assessment for State aid to compensate for the early closure of coal-fired plants provided that they are still viable.

The EC must clearly state that in its assessment it would deep dive the real profitability of the existing coal plants avoiding to compensate already out of the market plants or to overcompensate plants that still can have any revenues. To this extent, it is paramount to ensure that the actual CO2 price and not outdated forecasts are taken as benchmark.

We agree that an exception to this condition is made for measures aiming at compensating significant social and/or environmental costs caused by the closure of uncompetitive power plants which eligible costs are listed in Annex II.

However, this list should be also integrated with i) exceptional environment and social costs associated with obligations deriving from conventions and concessions with public authorities and still underway also after the decision to close the uncompetitive power plants, and also with ii) residual costs related to ensuring the safety of the site and workers.

Furthermore, whilst aid should be granted to measures directly related to the main scope of the CEEAG and aiming at phasing-out pollutants fossil fuels power plants, an exception should be foreseen in relation to the closure of an uncompetitive coal power plant which is requested by the owner but it is not authorized by the National Authorities. This is the only justified circumstance that the EC must consider under SIEG regulation in order to allow the reimbursement of costs incurred (when not covered through market participation), providing that it is a transitional measure and it is duly justified by the Member State.

## **Annex 2**

Definition of costs referred in Section 4.12.2

(...)

(f) “residual costs resulting from administrative, legal or tax provisions which are specific to the coal, peat and oil shale industry” (such as costs associated with conventions and concessions with public authorities)

(fbis) Residual costs related to ensuring the safety of the site and workers