

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

August 2, 2021

As a world leader in gases, technologies and services for Industry and Health, Air Liquide is present in 78 countries with approximately 64,500 employees and serves more than 3.8 million customers and patients. Oxygen, nitrogen and hydrogen are essential small molecules for life, matter and energy. They embody Air Liquide's scientific territory and have been at the core of the company's activities since its creation in 1902.

Achieving the goals of the European Green Deal is a top priority for the EU as a whole. Air Liquide welcomes the draft CEEAG as significant investment will be required to deliver the EU objectives of climate neutrality, climate change mitigation, and natural resources protection. In this regard, it will also be key to maintain a level-playing-field for outsourcing the manufacturing of industrial gases.

Key messages :

- We welcome the support to renewable electricity, and the **introduction of new support mechanisms** (Carbon Contracts for Difference) for renewable and low-carbon hydrogen, synthetic fuels and CCUS;
- Following “**energy efficiency-first**” approach and economic similarity, we remind the need to maintain eligibility of the Industrial gas (notably Oxygen, Nitrogen, Hydrogen) sector (NACE 20.11) to exemptions that its clients benefit from in order to **maintain a level playing field** between outsourced and in-house production.
- The **risk of relocation** also exists to sectors with a very high electro-intensity and indirect exposure to trade Intensity, since manufacturing of **Industrial Gases is an integral part of the value chain** of many production processes in sectors with a high trade intensity.

Support for renewable and low-carbon technologies is needed

Air Liquide welcomes the inclusion of several supported activities in the CEEAG. Activities such as ‘production of renewable and low carbon energy’; ‘CCS and aid for the reduction or avoidance of emissions resulting from industrial processes’; and ‘Dedicated infrastructure projects (including for hydrogen and other low-carbon gases, as well as CCS/CCU) that do not fall under the definition of energy infrastructure’ indeed contribute to removing and reducing greenhouse gas emissions. It is also paramount that the importance of energy infrastructure is highlighted. The development of infrastructure for Hydrogen and Carbon Dioxide, as well as the aid for Clean Mobility and the **deployment of refuelling infrastructure**, will be imperative to help reach the EU Climate Law targets.

It would be useful that ‘Aid for the deployment of recharging or refuelling infrastructure’ covers the **on-site production of low-carbon Hydrogen**. Moreover, similar aid should be made possible for on-site production of renewable and low-carbon Hydrogen for industrial purposes. We also see **contracts for difference** as a viable tool to ensure the deployment of renewable and low-carbon technologies.

Electricity levies for EIU - level playing field for IG sector is to be maintained

When it comes to ‘Aid in the form of reductions from electricity levies for energy-intensive users’, it is worrying that ‘manufacturing of industrial gases (NACE code 20.11)’ is not eligible in the draft CEEAG, although it is included in the Guidelines on State aid for environmental protection and energy 2014-2020. This is **key to maintaining a level-playing-field between outsourcing and self-production**.

AIR LIQUIDE

The "[EEAG revision support study](#)" does not reflect the facts of interactions between the sectors. This is far from the industrial and economic reality: the industrial gas customer sectors like steel, non-ferrous metals or chemical companies are predominantly exposed to international trade and these sectors will continue to need industrial gases. Some EU Member States have much higher renewable energy levies than others. As a consequence, **excluding 'Manufacturing of Industrial Gas' from Annex I would cause distortions** in the EU Internal Market.

Customers rely on outsourced production for reasons of reliability, safety and costs. This saving is due in particular to the professionalism of IG manufacturers which continuously optimize the processes. Because of the constant push for efficiency, outsourced production benefits from **continuous technological improvements** developed by IG companies.

With outsourced production IG companies manage several customers. **Its carbon footprint is equal and often lower** than the footprint of insourced production, because of the larger, more efficient plants that can offer synergies between the different uses of IG. That brings environmental and efficiency value, synergies and reduced emissions.

Re-integrating Industrial Gas manufacturing in Annex I

Air Liquide would like the European Commission to **re-include the manufacturing of industrial gas in Annex I** of the guidelines. This would ensure outsourcing of industrial gases production continues to bring economic and environmental efficiency gains to the European industry.

In the current draft of the CEEAG, 'Aid in the form of reductions from electricity levies for energy-intensive users' *can only be granted if the undertaking belongs to a sector facing a trade intensity of at least 20 % at Union level and an electro-intensity of at least 10 % at Union level. In addition, the Commission considers that a similar risk exists in sectors that face an electro-intensity of at least 7% and face a trade intensity of at least 80%. The sectors meeting these eligibility criteria are listed in Annex I.* Re-including manufacturing of industrial gas in Annex I could be done by taking into account sectors that face a very high electro-intensity. Moreover, this should be linked with the fact that the industrial gas sector is an **integral part of the value chain of its customers, and as a consequence is exposed to an indirect risk of relocation.** As a consequence, a criterion could be included that ensures the eligibility also for **sectors that face a very high electro-intensity and substantially serve sectors themselves considered to face a risk of relocation.**

This has also been identified, in its Annual Report 2020 on Competition Policy dated 9 June 2021¹, by the European Parliament, calling upon the Commission for their *'careful consideration to sectors which are the basis of many other industries, as well as the Union's sustainable social and economic value chain; reiterates the need to promote technologies and production practices that lead to significantly reduced environmental impacts'*.

¹ Competition policy – annual report 2020 (2020/2223(INI))

About industrial gas manufacturing - indispensable sector supporting decarbonisation

The industrial gas (IG) manufacturing sector is supporting the EU Green Deal ambitions by providing the most energy efficient products and expertise to Europe's industrial economy. IG are key to almost all industrial (manufacturing) sectors and are often central **components of long-term decarbonisation strategies**. Several IG have been playing an essential role in making Europe's industries more (energy) efficient and are **indispensable for several manufacturing processes**, such as in the manufacturing of steel (NACE 24.10), non-ferrous metal (NACE 24.45), refined petroleum products (NACE 19.20) and chemicals (NACE 20.13; 20.14) industry.

The IG sector also has the expertise and capabilities to invest, own and manage key assets for the **hydrogen** economy, which will be key to Europe's energy transition. For example, Air Liquide already owns and operates many hydrogen plants, including the largest electrolyser in the world.

The production of Industrial Gases is an activity that can either be outsourced to Industrial Gases companies or "insourced", i.e. produced directly by customers (chemical producers, steelmakers, etc.). Outsourcing production of industrial gas allows for larger capacities, production of a great variety of products and serving multiple end-users², e.g. by combining O₂, N₂, H₂, Ar on the basins serving several customers, producing by-products like medical Oxygen or H₂ for energy transition. This **decreases unit electricity consumption** for production serving consumers exposed to risk of relocation. Moreover, outsourcing industrial gas manufacturing ensures higher efficiency and is fully in line with the "**energy efficiency first**" principle, which is at the basis of the EU Green Deal.

² IGs plants co-product O₂, N₂ and Ar (Air Separation Unit) or H₂ and CO (Steam Methane Reformers) whereas end users only require one or two of these molecules. For example steel industry needs today only O₂ plus H₂ in the future; chemical industry request mainly N₂ and for refining industry, H₂ and N₂ are needed.