

Drax Group response to EU consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)

Drax Group plc (Drax) owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets, including Drax Power Station, which is the UK's single largest source of renewable electricity. At Drax Power Station we have been trialling Bioenergy with Carbon Capture and Storage (BECCS) to produce negative emissions following the conversion of most of the power station to operate using sustainably sourced biomass in place of coal. Drax can deliver 8MtCO₂ of negative emissions as part of phase 1 of the Drax BECCS programme in the 2020's. We are Europe's largest decarbonisation project.

We welcome the opportunity to help inform the EU Commission's revision of the Guidelines on State Aid for climate, environmental protection, and energy (CEEAG) as we believe this is an important step in realising the ambition of the EU Green Deal. Drax is investigating the role of sustainable biomass and carbon capture technology (BECCS) in a number of jurisdictions including within the EU. We are of the view that the CEEAG State Aid guidelines should recognise the need and role of this critical technology, alongside other negative emissions technologies, as we aim to meet long-term climate targets. In addition, with the EU Commission's recent publication of the EU Fit for 55 package, reinforcing continued support for sustainably sourced biomass, it will be critical that policy frameworks are consistent and work in tandem to provide investor certainty and reach our climate goals.

Bioenergy is currently the largest source of renewable energy in the EU and provides 10% of gross final energy consumption. Recent analysis shows a need to grow the use of sustainable biomass by up to 60% by 2030 and that by 2050 its share of final energy consumption could be as high as 20%^{1 2}. Government support and a stable regulatory environment will be crucial in making this a reality. Biomass, as a flexible and renewable power and heat source supports the integration of variable renewable generation and can ensure that essential energy system services are not just the preserve of fossil fuels.

In addition, biomass will be increasingly sought for the decarbonisation of hard-to-abate sectors such as heavy industry, aviation and agriculture and will be crucial, through the deployment of BECCS, in delivering the negative emissions needed to reach climate targets. Drax is of the view that State Aid could act as an enabler for BECCS deployment in the EU given its substantial value-add potential in producing negative emissions. In enabling this outcome, we offer several recommendations in response to the proposed amendments to the CEEAG.

1. Paragraph 107: *"To avoid undermining the objective of the measure or other Union environmental protection objectives, incentives must not be provided for the generation of non-renewable energy that would displace renewable forms of energy. For example, where cogeneration based on non-renewable sources is supported, or where biomass is supported, they must not receive incentives to generate electricity or heat at times when this would mean zero air pollution renewable energy sources would be curtailed."*

¹ <https://publications.jrc.ec.europa.eu/repository/handle/JRC118592>

² <https://www.iea.org/reports/net-zero-by-2050>

- **Biomass should not be distinguished and treated less favorably compared to other renewable technologies and the inappropriate example should be removed from the CEEAG (as indicated above)**
 - EU climate goals seek to increase the use of renewable energies across Member States, and State Aid rules should support this effort by facilitating fair and equal development of renewables markets, and by encouraging investment and technological advancement. Preference should not be given for certain renewable technologies over others.
 - Whilst consideration of the environment is a relevant and important factor, it is just one of a range of factors that need to be considered when a Member State determines the appropriate energy mix for their country, for example the capability of a technology to provide flexible and baseload power alongside other renewables as part of a reliable energy mix and where a technology can provide value-add climate benefits (which non-renewables and other renewables cannot), such as the potential for biomass to be used with CCS to deliver negative emissions (i.e., BECCS).
 - As originally drafted, the article and its reforms run contrary to the Guideline's own explanatory note which states *"this section of the Guidelines deliberately avoids mentioning specific technologies as the intention is to enable all technologies and approaches that can contribute and ensure the Guidelines are as future proof as possible"*.
- **Regulation and legislation, based on robust international science, should be consistent to avoid unintended consequences and enable the best technologies to decarbonise sectors to come forward, including that of BECCS**
 - The renewable energy industry requires legal certainty and clarity in terms of applicable legal framework. In this regard, the Renewable Energy Directive (REDII) establishes rigorous emissions and efficiency levels required for plants using bioenergy. In addition, biomass and BECCS plants are subject to the Industrial Emissions Directive (IED) and Best Available Techniques (BAT) which regulate emissions and encourage improved performance over time, as technology improves. Reforms to the CEEAG must consistently consider these existing regulations and legislation so that there is no inconsistent or double regulation of the same subject matter (by way of illustration, this is currently done in paragraph 76 CEEAG). Indeed, the introduction of new terms such as 'zero air pollution renewable energy sources' in paragraph 107 undermines the coherence of EU regulations and legislation.
 - In addition, the approach taken towards biomass in the consultation, especially in paragraph 107, fails to recognise and acknowledge that biomass has a critical role to play in the decarbonisation of the power sector. Biomass provides a flexible, dispatchable and renewable power source capable of generating electricity when intermittent renewables are not able to provide power to the grid. As a result, biomass has the capacity to provide essential energy system services to ensure security of supply including balancing, inertia, and reactive power. **Biomass has further unique capabilities in that it can deliver environmental and societal benefits that other technologies cannot, for example the potential to deliver critical negative emissions technology in BECCS.** As a result, Drax is of the view that the CEEAG should afford greater support to technologies and projects which provide positive climate impacts including that of negative emissions.

2. Paragraph 77: ~~“....Furthermore, the Commission will verify whether Member States took into account in the design of their support mechanisms the need to avoid distortions on the raw material markets from biomass support, in particular for forest biomass.”~~

- We recognise that assessing unintended market distortions should be an inherent part of any State Aid regime and process, but specific reference to forest biomass is inappropriate and implies a more onerous test for biomass than for other technologies which is arguably not in line with the principle of non-discrimination. In addition, the section of the paragraph is unnecessary as:
 - The Renewable Energy Directive (REDII) already establishes a Commission review of Member State bioenergy policies in 2026 to determine if market distortion has occurred. There is no need to duplicate this process as part of the State Aid assessment.
 - DG Competition has formally investigated market distortion issues related to biomass from US Southeast forests, and both times, after a 6+ month investigation, has found no undue market distortion related to EU biomass demand.