
Public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG) from 07.06.2021 to 02.08.2021**BACKGROUND**

Neste is a company that creates solutions for combating climate change and accelerating a shift to a circular economy. We are the world's leading producer of renewable diesel and sustainable aviation fuel, developing also renewable polymers and chemicals as well as chemical recycling to combat the plastic waste challenge.

We welcome the EU target of net carbon neutrality by 2050 but also it is important to recognise that all tools and technologies are needed and Member States should not be hindered to be forerunners in reaching a carbon-neutral society.

The 2014 EEAG has allowed certain countries within EEA to boost the consumption and therefore production of biofuels through tax measures complementary to national biofuel blending obligations. While the provisions in EEAG on biofuels are not entirely clear and drag behind the EU legislation in terms of definitions, they have allowed these countries to pursue ambitious biofuels policies, which have resulted in very significant greenhouse gas emission reductions in the transport sector.

With the revision on the Energy and Environmental State Aid Guidelines (EEAG) Neste has called for fact-based, coherent, predictable and clear guidelines as regards biofuels, that are based on understanding of markets, technologies and raw materials.

With the draft from the EU Commission on the guidelines for the revised Climate, Energy and Environment State Aid Guidelines (CEEAG) Neste welcomes that the guidelines now are more aligned with the relevant sectoral legislation.

CEEAG to be fully aligned with the relevant sectoral legislation

2014 EEAG and related GBER provisions never were in line with the definitions of the Renewable Energy Directive. Now that the recast Renewable Energy Directive (RED II) has been enacted, there is an opportunity to align the definitions and the approach to aid with the RED II. Neste welcomes that the guidelines states that support for biofuels, bioliquids, biogas and biomass fuels can only be approved in the extent that the aided fuels are compliant with the sustainability and greenhouse gases emissions saving criteria in Directive (EU) 2018/2001 (RED II) and its implementing or delegated acts.

It should be noted that there are also biofuels that are produced from residues or wastes that are not listed in Annex IX, part A, of RED II, but still are eligible for national support schemes. Article 27.1(b) which defines the numerator of the obligatory share of renewable energy in transport and

corresponding blending obligations, makes it clear that the energy content from all types of renewable energy are eligible - hence also biofuels made from feedstocks which are neither "produced from food or feed crops" (definition excludes explicitly waste and residues) nor are included in the list of "advanced biofuels", are eligible for national support schemes.

The Commission states that, in principle, support for biofuels, bioliquids, biogas and biomass fuels exceeding the caps do not produce positive effects which outweigh the negative effects of the measures. Neste believes it's important to continue to allow Member states to pursue ambitious biofuels policies and to reach national climate targets, which have resulted in very significant greenhouse gas emission reductions in the transport sector. As long as they are compliant with the sustainability and greenhouse gases emissions saving criteria in Directive (EU) 2018/2001 (RED II) and its implementing or delegated acts.

Do not discriminate technologies based on feedstock pathways, instead overall greenhouse gas reductions should work as a base

As the climate ambitions are strengthened the Commission will have to rely more on biofuels, at least in the transition phase to electricity. In the recent publication of the JRC on Well-to-Wheels emissions from a large number (>1600 pathways) of fuels it was clear that biofuels almost always were significantly better than fossil gasoline, diesel or natural gas. Some biofuel pathways (waste as feedstock) represent even a lower GHG route than zero-emission vehicle pathways with electricity and hydrogen. This must be reflected in the CEEAG.

We believe that all biofuels should be defined on neutral criteria, rather than origin or technology. It is important for the CEEAG to promote the technologies reducing greenhouse gas emissions most effectively. Thus, the CEEAG should judge the potential of state aid based on GHG reduction.

We also firmly believe that biofuels, being new technologies and more expensive to produce than fossil fuels, need financial support. Biofuels contribute greatly to the overall European climate goals. Emerging biofuel pathways need several years to reach financial break even, and will need additional support.

Aviation

We welcome the possibility that allows for aid aimed at reducing and removing greenhouse gas emissions including through support for renewable energy. Indeed, under future EU wide or current and future national schemes where there is a quota or supply obligation which sets a separate market price for sustainable aviation fuels (SAF), there will be a price gap between fossil jet fuel and SAF. SAF is currently 3 to 5 times more expensive compared to fossil jet fuel and aid will help stimulate demand as well as supply.

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We are also welcoming the opportunity to include state aid support for materials recovery & recycling under section 192. At Neste we are pioneers in developing the activities that will enable the transition to the circular economy, and which require forward thinking investment and implementation.