

## **UNIDEN response to Public Consultation on CEEAG**

UNIDEN appreciates the opportunity given to stakeholders to comment on the draft Guidelines on State aid for climate, environmental protection and energy 2022. First of all, UNIDEN reminds that Climate, Environmental protection and Energy Aid Guidelines (CEEAG) are relevant to create the right framework for European industry to remain competitive vis-à-vis their main global competitors with lower environmental constraints. Indeed, no transition will be achieved without a strong industrial basis in Europe. Energy intensive industries are providers of solutions for the overall decarbonisation, as producers of products, materials and technologies that enable emissions reductions in other sectors. Energy-intensive industries have themselves already contributed to massive reduction in their GHG emissions. It was the case for the period 2014-2020 where thanks to adequate state aids, the ETS sector was the only sector to have reached the decarbonation target set by the European Commission. All the sectors covered by the Effort Sharing Regulation have increased their emissions and missed their decarbonation targets. The ETS phase 3 system as well as the CEEAG have proven their efficiency for EU-ETS sectors and in particular energy intensive industry with concrete and overwhelming results achieved during this period.

For the next decade, the decarbonisation of the European economy foreseen in the frame of the European Green Deal package will significantly impact the global competitiveness of energy intensive industries and their capability to invest in innovation to meet the new ambitious targets as well as their capacity to have access to available and affordable low carbon energy. Thus, it is of the utmost importance that (i) the new Climate, Environmental protection and Energy Aid Guidelines allow that additional costs linked to decarbonisation objectives not borne by non-European competitors are fully compensated by adequate schemes and (ii) that sufficient and affordable low carbon energy is available for the energy intensive usages. Adequate hardship regimes, cost limits and specific measures for industrial users should be set, until a level global energy and climate playing field is achieved.

In order to be cost-efficient and reduce the renewable surcharge costs, CEEAG should promote in priority support schemes that are technology-neutral to favor the development of the less expensive technologies

The CEEAG needs to ensure that European industry maintains its global competitiveness and have access to affordable low carbon energy, on a long-term basis, to enable investment in more decarbonisation measures. To achieve this target, UNIDEN asks that the following amendments were taken into account in the final version of the CEEAG.

### **Article 4.1: Aid for the reduction of GHG emissions**

The draft CEEAG requires that aid for the decarbonisation of industrial activities will be granted only if the project leads to a reduction of emissions directly resulting from that industrial activity (§ 100). However some projects could lead to a decrease of indirect emissions and an increase of direct emissions, the global balance resulting in a net decrease of the emissions. To avoid misunderstanding of the provisions of § 100, it is necessary that the project must reduce the emissions directly and indirectly resulting from the industrial activity. Also limitation to direct emissions only creates distortions between sectors more intensive on direct emissions vs sectors intensive on indirect emissions. In order to facilitate the decarbonisation of electro-intensives, the scope shall be extended to also include aid for the reduction of indirect emissions from industry.

New aid instruments, such as Carbon Contracts for Difference, are welcome, but clarifications are needed with regards to how this instrument will be designed.

#### **Article 4.9: Aid for energy infrastructure**

The investments on private electricity networks that are necessary to implement industrial decarbonisation projects (e.g. process electrification) should be eligible to receive state aid. Currently, such investments are not eligible and this situation is a major obstacle to decarbonize through electrification.

#### **Article 4.11: Aid in the form of reductions from electricity levies for energy-intensive users**

##### **Eligible sectors**

The risk of relocation shall be assessed for the whole value chain. Even if the trade intensity of some upstream activities have a low trade intensity, they could have an electro-intensity that impacts downstream activities that are at risk of relocation outside Europe. The criteria on trade intensity (20 % and 80 %) that were applied to define the list of eligible sectors given in annex I are not relevant. UNIDEN asks to remove the conditions to belong to a sector facing a trade intensity of at least 20 % or to 80 % to be partially exempted from renewable surcharges. The following sectors that are particularly affected by the financing costs of renewable energy support and therefore are put at a significant risk of carbon leakage are not included in the list of eligible sectors for reductions under section 4.11.

- 1081 – Manufacture of sugar
- 2011 – Manufacture of industrial gases
- 2351 – Manufacture of cement
- 2352 – Manufacture of lime and plaster

UNIDEN asks that those sectors were included in the list of eligible sectors.

Le règlement 2003/87 prévoit dans son article 10 ter que les secteurs proches de la limite (0.15-0.2 pour Trade intensity\*emission intensity) puisse déposer un dossier pour justifier de son statut de secteur protégé en s'appuyant sur les données les plus récentes dont il dispose. D'ailleurs les données pour cette justification correspondent aux années 2014-2016 et sont donc plus récentes que celles sur lesquelles s'appuient la Commission pour la proposition.

#### **Proportionality of the aid**

In a context where the development of the generation of renewable energy will be faster by Green Deal requirements the amounts of the financing costs will significantly increase in the decade. In the draft guidelines, the Commission will consider the aid to be proportionate if the beneficiaries pay at least 25 % of the costs generated by the electricity levies (§ 359). This value notably higher than the current one (15 %) will lead to a total burden without common measure with the one currently bare by the industry. It is why UNIDEN requests to keep the limit threshold at 15 %. As the costs for supporting renewable energy generation will increase, It would be even more relevant to decrease the limit threshold and fix it at 10 %.

### **Cumulative Level of Levies**

Compensation shall not be made conditional to a minimum level of the levies. This level shall be eliminated to prevent distortion and competitive disadvantage compared to producers based in third countries. Also identifying this level at European level will be challenging and the level would ultimately be set in an arbitrary way

### **Scope**

The scope shall be broadened to include renewable energy integration costs and shall not be limited to direct costs related to renewable sources, such as capacity mechanisms, additional network charges or other costs related to balancing of intermittent renewable production.

### **Energy Audits and Management Systems**

The draft communication proposes that industrials are required to conduct one or more of the following:

- Energy-Efficiency action plan within 3 year pay-back. UNIDEN considers that this proposal overlaps with the Energy Efficiency Directive. In addition, most industrials are under EU-ETS system which already incentivizes Energy Efficiency through CO2 burden
- Sign PPA to cover 30% of their electricity consumption. UNIDEN considers that this proposal overlaps with the Renewables Efficiency Directive. Besides, most Renewable projects are or will be under Feed-In-Tariff. French industry consumes almost 120 TWh per year. France official ambition under "Programmation Pluriannuel de l'énergie" is 113GW (approx. 309 TWh per year) of renewables electricity by 2028. As a conclusion French industry would be required to sign PPA with about 30% of the total renewable installed capacity.
- The third condition incentivizes GHG reductions through projects below the ETS benchmarks. As already mentioned above, this proposal runs over the ETS directive. Most of the benchmarks are already very low, this would leave no choice but disruptive technology and a major technological and economical risks for shareholders