Response to the Public Consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG) on behalf of the Italian Centre for River Restoration

Venice, 2 August 2021

Key recommendations:

1. CEEAG must fully align with the Green Deal.
2. New hydropower plants should not be eligible for state aid.
3. No feed-in tariff thresholds for hydropower.
4. Compliance with environmental laws must be ensured.

CEEAG must fully support the Green Deal's climate and biodiversity goals

Climate change and biodiversity loss are urgent crises threatening humanity that must solved together this decade. As emphasised by the recent report by IPBES, climate change cannot be solved without nature and healthy ecosystems, and that "narrowly-focused actions to combat climate change can directly and indirectly harm nature and vice-versa". Therefore CEEAG should be fully aligned with the Biodiversity Strategy and the EU's foundational acquis of freshwater and nature protection directives in order to maximise the likelihood of achieving the ambitions for both climate and nature, and minimise the likelihood of harm.

A defining initiative of the Green Deal's Biodiversity Strategy is to restore at least 25,000 km of free-flowing rivers by 2030 through the removal of primarily obsolete barriers and the restoration of floodplains and wetlands. This is necessary because European rivers are thought to be the most fragmented freshwater ecosystems in the world and migratory freshwater fish populations have collapsed by 93% since 1970.[1] It is estimated that there are already over one million barriers in European rivers, and one every 1.5 kilometres in the most densely populated countries. [2]

New hydropower plants should not be eligible for state aid

The Biodiversity Strategy recognises that greater efforts are needed to restore freshwater ecosystems and rivers. Therefore it makes no sense for CEEAG to undermine the effectiveness of the target to restore 25,000 km of free-flowing rivers by subsidising the proliferation of new barriers.

CEEAG's impact on rivers in **Italy** is an example of how this EU policy is incentivising the fragmentation of rivers in the EU, in contradiction to the Biodiversity Strategy. Italy is among the top three hydropower producers in Europe and 95% of its potential has been reached. At the same time, state aid for hydropower has remained among the highest in Europe, not only in terms of feed-in tariffs, but also as a total amount and percentage allocated to hydroelectricity for renewable energies.

[1] World Fish Migration Foundation, Living Planet Index (LPI) for migratory freshwater fish, 2020.
[2] More than one million barriers fragment Europe's rivers. *Nature*, 2020.

Rather than promoting the research and development of new and innovative systems for the production of renewable energy, state aid in Italy supports one of the most mature and historically proven technologies. As a result of this particularly favourable funding regime, there has been a massive proliferation of new hydropower plants, mostly small and with no storage capacity. Since 2009, about 2000 small new plants were authorized and built, with the financial support of government funds, while at the same time the overall amount of energy produced by hydropower plateaued.

Between 2009 and 2010, for instance, the number of HPPs of less than 1 MW increased dramatically by 36% (1270 to 1727), but the additional installed power only increased by 0.3% (compared to total hydro in 2009). Over a longer timeframe, from 2009 to 2018, the number of hydropower plants of less than 1 MW increased by 246% (1270 to 3123) yet installed capacity in terms of energy production only showed marginal increases of 184% (465.6 to 858 MW). Moreover, all of these small hydropower plants contributed to produce a negligible amount of energy, equivalent to 0.2% of total energy consumption. [3]

The plants currently licensed in Italy have an average installed power of less than 0.5 MW and are located at increasingly high altitudes and in increasingly smaller and often pristine streams. At the same time, the plants are often highly damaging due to additional fragmentation, strong hydrological alteration, physical modifications of river corridors in sensitive areas.

In 2018, after growing concern about the impact of new barriers on Italy's rivers, and a petition to the Italian Government and Parliament supported by all the main environmental protection organisations in Italy, the government eventually decided to exclude new hydropower in natural rivers from subsidies, keeping them only in artificial networks. However, DG COMP intervened against this decision for reasons that remain unclear and the subsidies in natural rivers were restored.

The consequences of state aid for Italy's rivers are that many new barriers have been built and hundreds of projects for new small hydropower plants are still pending, with negligible benefits in terms of additional renewable energy production. In their current form, the revised CEEAG will still incentivise the construction of new barriers on free-flowing sections of rivers and in protected areas both in Italy and the EU.[4]

No feed-in tariff thresholds for hydropower

The draft CEEAG proposes a 400 kW threshold for feed-in tariffs for electricity generation, decreasing to 200 kW in 2026. This is an improvement on the current 500 kW. But as the above example of Italy illustrates, providing feed-in tariffs directly competes with the Biodiversity Strategy by incentivising the overdevelopment of small hydropower plants, with high cumulative environmental impacts due to increased barriers and river fragmentation, a low contribution to electricity generation, and without the adequate application of the environmental acquis.[5]

[3] Free Rivers Italia, 2020.

[4] Nearly one third of existing and planned hydropower plants in Europe are located in protected areas. WWF, RiverWatch, EuroNatur, GEOTA Hydropower pressure on European rivers: the story in numbers, 2019.

[5] CEE Bankwatch, Western Balkans hydropower, Who pays, who profits?, 2019.

Ensure compliance with environmental laws

In order to successfully achieve both the climate and biodiversity goals:

- CEEAG must ensure that renewable energy projects that receive incentives are not developed in breach of environmental directives, such as those covering Environmental Impact Assessment, Birds and Habitats Directives, and Water Framework Directive. This includes those projects subject to EC infringement procedures, ongoing investigations that may lead to infringement procedures, or national level court cases.
- CEEAG should systemically halt and prevent state aid for illegally permitted projects and provide a mechanism to recover aid granted to such projects. There is currently no clear provision to halt or prevent illegally permitted projects.
- State aid should not go to projects located in protected areas, particularly hydropower.

When it comes to the Water Framework Directive (WFD), related tools have often demonstrated ineffective to avoid relevant impacts on water bodies, due to insufficient use of hydromorphological quality elements, excessive length of water bodies, lack of application of fish classification metrics, licensing processes based on insufficient hydrological data, etc.

The EC noted in its Fitness Check that implementation is lagging and enforcement must be stepped up.[6] Exemptions in Art. 4 are over-applied and endanger the achievement of the Directive's goals. As the EC's 5th WFD implementation report (COM(2019) 95 final) put it in February 2019:

"The exemptions foreseen in Article 4 of the WFD currently cover around half of Europe's water bodies. This mainly concerns natural water bodies, but increasingly also heavily modified and artificial water bodies, next to new physical modifications. Whilst the justifications for such exemptions have overall improved, their persistent wide use is an indicator of the significant efforts still needed to achieve good status or potential by 2027."

Unfortunately, DG COMP's state aid decisions for incentive schemes do not demonstrate deep analysis of whether countries properly apply e.g. Article 4(7). It appears to mainly rely on pledges from the countries themselves. It is not clear whether DG Environment is consulted about planned aid measures or not.

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[6] Fitness Check of the EU Water Legislation (SWD(2019) 439)