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Contribution of Federmetano to the public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)

Federmetano welcomes the possibility to provide its feedback on the draft communication of the European Commission revision of the CEEAG.

Our feedback on the proposal for the revision of the CEEAG:

For the CEEAG to become a tool for supporting the achievement of the European Green Deal' objectives, Federmetano believes that the revision should apply the following principles:

1) State aid guidelines should be aligned with existing relevant EU legislation such as the Renewable Energy Directive to stimulate the integration of renewable fuels in transport

As stated by the draft communication of the European Commission, one of the objectives of the revision of the state aid guidelines is to align and ensure coherence with the relevant EU legislation. The guidelines should therefore allow Member States to support the uptake of all sustainable and renewable fuels covered by the Renewable Energy Directive (including biomethane). The revised guidelines should mirror the solid sustainability criteria provided by the REDII to consistently support the integration of additional volumes of renewable fuels in the transport sector.

This is even more important given the proposal of the European Commission to strengthen the EU's efforts to cut GHG emissions in transport sector by, among other tools, setting a revised ambitious 2030 GHG emission intensity reduction target for this sector. As the trend over the last decade has shown, road transport is a sector where cutting CO_2 emissions has proven particularly challenging, and where the EU has so far been unsuccessful. State aids should therefore be a tool to boost the deployment of all available fuel solutions defined as sustainable by REDII, such as biomethane, not only through supporting the production but also through the actual use of these fuels in road vehicles.

2) State aid guidelines should effectively support consumption of renewable fuels and hydrogen in road transport

State aid guidelines should pay a closer attention at supporting both the production of biomethane, and its actual consumption in road transport. The focus should not be put on the drivetrain technology (ICE vs EVs, since these technologies are complementary), but rather on the type of fuel or energy used to power vehicles. The fuel dimension is what needs to be primarily taken into account to assess the real environmental impact of the vehicles, and to accelerate transport decarbonisation.

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Natural gas vehicles and the associated refuelling stations network are 100% compatible with renewable gas and enable a progressive transition of the transportation system, ensuring affordability and at the same time good environmental performance. Currently, gas-based mobility operates with a share of over 17% of biomethane on European roads, already cutting GHG emission down to almost 40% (compared with diesel on a well-to-wheel basis)[1]. According to NGVA Europe's estimations[2], with the proper policy incentives, this share could be raised to at least 40% of biomethane by 2030, resulting in a -55% GHG emission reduction. In addition, a vehicle powered by biomethane can reduce GHG emissions down to zero, and even achieve negative GHG emissions on a Well-to-Wheel perspective depending on the type of feedstock used.

For these reasons, and in order to be coherent, the guidelines should not only allow aid for producing biogas (point 76) and biomethane, but also fully support the actual distribution of biomethane in refuelling stations and its consumption in CNG/LNG vehicles (section 4.3). This also makes sense from a cost-efficiency perspective. Indeed, a recent study from Frontier Economics on 'CO_2 Emission Abatement Costs of Gas Mobility and other Road Transport Options'[3] demonstrated that gas mobility can contribute to reducing GHG emissions in road transport at comparably low system cost.

Furthermore, natural gas vehicles and infrastructure can be a "bridge-solution" for a gradual/progressive introduction and use of hydrogen in road transport (methane-hydrogen blends), thus enabling an effective and prompt reduction of emissions at affordable costs.

3) State aid guidelines should foster competition in the internal market among all existing solutions to decarbonise mobility

The draft communication of the European Commission explicitly stresses the need to support a cost-effective transition to climate neutrality while ensuring a level-playing field in the internal market. For this reason, the guidelines should adopt a technology open approach and refrain from excluding mobility technologies that are already contributing to decarbonise road transport today. This is the case for CNG and LNG vehicles and associated refuelling stations network, as explained previously.

CNG and LNG vehicles are a mature technology, which yet represents a comparably small share of the European fleet. Contrary to what is stated by the European Commission in its communication (points 161 and 184), aid for the acquisition of these clean vehicles and deployment of associated refueling infrastructure would therefore not result in a distortion of the competition within the internal market. What would rather unduly distort competition is restricting aid to only a limited set of options, the so-called "zero emissions" solutions (electric and hydrogen). State aids should instead guarantee a level-playing field among all existing solutions to decarbonise transport, including CNG and LNG vehicles and associated refueling infrastructure. This would contribute to diversify clean mobility options for

[1] https://www.ngva.eu/medias/already-17-renewable-gas-used-by-the-mobility-sector-in-europe/
[2] https://www.ngva.eu/medias/ngva-europe-comments-eu-2030-climate-target-plan/
[3] https://www.frontier-economics.com/media/4643/carbon-abatement-costs.pdf

consumers and end-users, and result in faster decarbonisation of the road transport sector in a cost-effective way. A technology-neutral approach is also important to guarantee the flexibility needed by Member States to introduce the correct incentives for a specific product, technology, or process at the right time, based on their national specificities. Moreover, widening the options of decarbonisation would particularly facilitate the transition to cleaner mobility solutions in lower-income EU countries, where the uptake of EVs is proving particularly difficult because of a lower GDP per capita and high costs of electrification, as pointed out in a recent study by ACEA[4].

Our requests for further clarifications:

In light of these elements, some crucial aspects of the revised guidelines need to be clarified:

- Definition of clean vehicles (point 18. (20)(a) and (b))

Federmetano finds the definition of "*clean vehicles*" used in the draft revised guidelines unclear and inconsistent. While vehicles from categories M1, M2 and N1 (passenger cars, vans and light-duty vehicles) are following the definition of Directive (EU) 2019/1161, M3, N2 and N3 vehicles (buses, coaches, small trucks, and heavy-duty vehicles) are applied criteria coming from Regulation (EU) 2019/1242.

- The European Commission is invited to explain the reasoning behind this choice, and more specifically the reason why the definition of clean vehicles already provided by Directive (EU) 2019/1161 has not been applied consistently to all vehicle segments.

- Requirements on demonstrating the lack of availability on the market of cleaner alternatives (points 162, 185)

This requirement applied to CNG/LNG vehicles and refuelling infrastructure is unclear. The term of "*cleaner alternatives*" in points 162 and 185 remains undefined and not adequately supported by clear scientific basis or evidence. Only a more comprehensive approach including well-to-wheel assessment of fuel and LCA of the vehicle, can comprehensively grasp the real environmental impact of different transport solutions, as it encompasses GHG emissions coming from the lifecycle of the vehicle (from craddle to grave), and from the fuel production until its actual use in the vehicles. As such, this is the appropriate methodology on which the CEEAG should be based to establish a ranking of vehicles technologies based on their "cleanness".

The same remark goes for the term "*available on the market*", as well as the choice to define "*short term*" as a period limited to 4 years, which are not based on any impact assessment. Federmetano notes that

[4] https://www.acea.auto/press-release/electric-cars-lower-income-countries-fall-behind-with-uptake-linked-to-gdp-per-capita/

these requirements are based on the assumption made in point 161 by the draft revised guidelines that "*measures that incentivise new investments in natural gas-fuelled (including CNG and LNG) transport vehicles may lead to a reduction in greenhouse gas emissions and other pollutants in the short run but aggravate negative environmental externalities in the longer run, compared to alternative investments*". This statement is not supported by any thorough scientific analysis completely overlooks the current trends of biomethane growth. Therefore it does not represent a solid justification for the exclusion of CNG/LNG vehicles and refuelling infrastructure from the scope of activities eligible to state aids.

- The European Commission is therefore required to provide with clearer definitions of the different terms highlighted previously, and with an evidence-based assessment of the reasoning used to disqualify state aid to CNG/LNG vehicles and refuelling infrastructure.

- Requirements of demonstrating a minimum 20% share of biogas for CNG/LNG vehicles and refuelling stations (points 162 and 185)

The uptake of biogas and biomethane considerably varies across Member States. For this reason a 20% minimum threshold would simply jeopardize the efforts already made by those MS which started to invest in biogas only recently thanks to the supportive legislative framework provided by RED II (such as Italy, Bulgaria, Belgium, Hungary, etc.). Furthermore, the criteria is arbitrary, as it is only applied to CNG and LNG, while considering every share of fossil vs renewable as satisfactory when applied to electricity or hydrogen, which still remain mostly fossil-based.

- The European Commission should clarify the rationale and the scientific basis for the introduction of a 20% minimum threshold, and more specifically to justify why such a method is not applied to other fuels or energy carrier such as electricity and hydrogen.

Conclusions

Since no evidence has been provided of possible risk of distort competition and it is widely demonstrated that natural gas-fuelled vehicles, when running on renewable gas, are a cleaner and immediately viable alternative to conventional vehicles, CNG and LNG vehicles should not be regarded as creating long term lock-in effects. For all these reasons the EU Commission should allow aid for the acquisition of these vehicles recognising them as a cleaner alternative and should not mandate any minimum thresholds of blending of biogas or renewable gas.