

Unem contribution to the European Commission communication on the “Guidelines on State aid for climate, environmental protection and energy 2022”

Unem represents 20 Italian companies that operate in the refining, storage and distribution of petroleum products and low carbon energy products and in research and development of this field. Unem members account for 13 refineries and 2 bio-refineries and almost 100 depots (>3000mc).

The refining sector supports the goals of the Paris Agreement as well as the Green Deal’s ambition for climate neutrality in 2050 and will work with the EU institutions, Member States, and stakeholders, to help create the essential enabling policy framework.

Unem welcomes the opportunity to provide for some recommendations to the European Commission communication on the “Guidelines on State aid for climate, environmental protection and energy 2022”.

Unem welcomes that the scope of the guidelines has been extended to enable support in new areas, such as clean mobility, and to technologies that can help to deliver the Green Deal (for example decarbonised hydrogen and other low-carbon gases as well as CCS/CCU). Similarly, unem welcome the possibility of granting aid for decarbonisation via a variety of forms.

Furthermore, unem acknowledges the role of Member States and the Commission to assess the various projects eligibility to State aid and recommends that authorities responsible for assessing applications must ensure that in all cases a fair and equitable range of assessment criteria is applied equally, such that no category of application for aid receives either preferable or discriminatory treatment.

In fact, the guidelines should support all activities with a potential to meaningful contribute to the climate transition, reducing current CO₂ emissions right now, in harmony with the principle of technology neutrality. The state aid framework should allow to support all relevant greenhouse gas reduction measures which contribute to the transition to a climate neutral society in 2050, whilst still critically assess the level of State aid to avoid over compensation and safeguard fair competition in the EU internal market. The State aid guidelines should not only stimulate early adoption of innovative first-of-its-kind solutions, but also support the timely transition to a climate neutral economy by supporting investments in enabling infrastructure and deployment of technologies that are not yet independently economically viable.

However, in order to optimize this purpose, unem believes that the communication can still be ameliorated in some aspects.

1. A clarification on transport of CO₂ is needed in the section dedicated to definitions

Multimodal transport of CO₂ should be covered and not limited to transport through pipelines, as it is essential to ensure that waterborne solutions and other modes of transport (e.g. rail, truck) can receive state funding. This will be crucial to ensure that key CCS projects are enabled to choose the most cost-efficient mode of transport rather than relying on piped transport. Furthermore, including multimodal transport of CO₂ under this sub-category would ensure coherence with:

- the delegated act on the climate mitigation and adaptation environmental objectives under the Sustainable Finance Taxonomy.
- the proposal revising the Emissions Trading System 'ETS' (Directive 2003/87/EC), where recital (41) says that *"As carbon dioxide is also expected to be transported by means other than pipelines, such as by ship and by truck, the current coverage in Annex I to Directive 2003/87/EC for transport of greenhouse gases for the purpose of storage should be extended to all means of transport for reasons of equal treatment and irrespective of whether the means of transport are covered by the EU ETS"*.

Therefore, we encourage the European Commission to foresee multimodal transport of CO₂ including all possible CO₂ transport modes (including/such as rail, truck, ship/barge, and pipeline).

2. Aid to zero emission and clean transport vehicles and related refuelling infrastructure (sections 4.3.1 and 4.3.2) should have a more technology neutral approach

Unem encourage that the definition of low/zero emission vehicles is based on a full life cycle approach. This would allow not only electric vehicles, but also internal combustion engines vehicles fed by low carbon fuels to receive the support needed.

It is very important, in the transition phase, to decarbonize the energy consumption of the current fleet using increasingly decarbonised products (i.e. biofuels with a growing renewable component, up to 100%) that may need support for market development. Furthermore, this is an opportunity for all consumers to contribute to emissions reduction in the transport sector (thus enforcing an "inclusive" model for the decarbonisation of the mobility sector).

In this perspective, we consider useful that the whole European regulatory framework moves towards technologically neutral criteria for assessing CO₂ emission reduction (such as LCA), in order to avoid distorting competition between fuels, especially if aid is provided on the basis of an environmental benefit analysis.

We believe that also low carbon liquid fuels (LCLF) could play a critical role in the energy transition and in achieving carbon neutrality in all transport modes (it is fully explained in FuelsEurope Campaign [Clean Fuels For all](#)). Alongside electrification and hydrogen technologies, LCLF will remain essential beyond 2050, bringing important benefits to the European economy and society.

Unem encourages the European Commission to explicitly entitle low carbon liquid fuels for state aid given their role in all transport modes to achieve carbon neutrality in the sections dedicated to zero emission and clean transport vehicles and related refuelling infrastructure (sections 4.3.1 and 4.3.2).

With reference to sections 4.3.1 and 4.3.2, the guidelines limit investments in compressed natural gas (CNG) and liquefied natural gas (LNG).

A lot of very promising R&D projects for the development of sustainable biofuels and e-fuels are provided from studies, as well as gaseous hydrocarbons such as CNG and LNG and that have superior sustainability credentials both in terms of reducing GHG emissions and their impact on land use and ecosystems.

We believe that limiting investments in CNG and LNG should not compromise direct State Aid for the development of bio solutions such as bio-CNG and bio-LNG refuelling infrastructure that meets blending criteria according to EU regulations and international specifications, given the contribution that low-carbon liquid fuels can give to the climate transition in the transport sector.

3. Section 4.9 on aid for energy infrastructure should be more inclusive

The guidelines foresee aid for gas and electricity infrastructure. The text, however, does not include the refining industry infrastructure: the flexibility and resilience of the refining industry infrastructure, including those for the distribution of products, will allow this green transformation to occur at a comparatively low cost and with immediate benefits in terms of CO₂ reduction. In particular, they will allow the refining industry to process a variety of feedstocks and deliver a range of products. For instance, new low-emission hydrocarbon fuels will serve as building blocks for chemicals, lubricants, waxes and bitumen, which are needed to ensure the competitiveness of the EU economy.

Unem encourage the European Commission to foresee aid for refining industry infrastructure in order to support green production, also by enhancing circular economy processes.

4. Linking the CEEAG to the taxonomy “do not significant harm principle” is premature and creates legal uncertainty (section 4.1.4)

The consideration by the Commission of the “Do not significant harm principle” (DNSH) when assessing the negative effects on competition and trade of a particular state aid regime can pose general concerns. The Taxonomy has been developed for providing a common lexicon for the nascent green finance sector and not for defining binding benchmarks for other policy tools. unem considers that it is premature to link the revised Guidelines to the DNSH principle and the Taxonomy, because the Taxonomy is still under development and the delegated acts on the four remaining environmental objectives are still pending. Moreover, a separate delegated acts covering – for the purposes of climate change adaptation and mitigation – natural gas and nuclear energy is expected to be defined by the end of 2021. This provides uncertainty for Member States when designing their state aid schemes, since what might be considered as an environmentally sustainable activity will be only developed over time, and might hinder their implementation.

Next to the “Do not significant harm principle”, the Commission envisages to take into consideration “other comparable methodologies”. This criterion does not set clear limits to the role of the Commission itself while assessing the negative effects on competition and trade of a particular state aid regime.

Therefore, we suggest the European Commission to remove the reference to the DNSH and to other comparable methodologies that could lead to legal uncertainty.