

Public Power Corporation's S.A. feedback on the Targeted Consultation for the Evaluation of the Guidelines on State Aid for Environmental protection and Energy 2014-2020 (EEAG)

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Public Power Corporation S.A. (PPC), Greece's largest energy company, welcomes the Commission's targeted consultation for the evaluation of the Guidelines on State aid for Environmental Protection and Energy 2014-2020 (EEAG) in an open dialogue with all interested stakeholders. PPC will be pleased to provide its technical expertise and sector-relevant experience during the entire consultation process.

In view of the diversity of geographical, geopolitical and economic situations across the EU, it is necessary – though quite challenging- for the amended EEAG to be able to address the unique specificities of the energy systems in the different Member States (MS), as well as their different starting points towards energy transition. It is only then that the updated guidelines will be able to support inclusive and sustainable transition towards decarbonised economy in all Member States.

Having in mind that the EEAG should primarily provide a level playing field across the energy markets while serving the EU climate and environmental policies, we would like to focus on the most important – to our view- issues of general interest, as follows:

Security of electricity supply, being one of the pillars of the Energy Union and essential factor for Member States with high import dependency, should remain the primary goal of the EU State aid framework relating to environmental protection and energy.

- PPC SA strongly supports what is commonly known as “competitive neutrality” practices. Such practices, securing level playing field in the markets, can provide a solid basis for promoting the EU policies.

- Within that context, well-designed, competitive, market-wide capacity mechanisms are a useful market-based instrument to address significant concerns regarding the security of electricity supply in certain Member States. When properly designed, such instruments do ensure system adequacy to the reliability level set by Member States, in full compliance with the provisions of the EU legislation in place.
- The recently adopted Clean Energy Package (CEP) provides a comprehensive legal framework for putting forward State aid schemes in support of enhanced security of electricity supply. However, the updated EEAG will have to adequately address CEP's complexity, especially regarding Sector Coupling and Energy Markets' integration, as they are expected to have a major impact on the necessity and the design requirements for State aid schemes across the EU.
- In view of the above, the EEAG – and in particular the Capacity Mechanisms - will have to be able to efficiently respond to the needs of a fast changing technology and business environment as well as to future developments in the legal framework governing the energy markets.

In that context and in view of the potential necessity for long-term State aid commitments the EEAG should focus on basic design principles rather than detailed provisions, thus being adequately flexible to prevent future market distortions due to locking-in of inefficient technologies and/or business models, as has been the case in the past in a number of Member States.

Moreover, for the sake of a smooth energy transition across the EU, the specificities of national systems should by all means be taken into account in that context.

- Finally, given that the EU decarbonization issues are sufficiently addressed by dedicated EU instruments (primarily the EU ETS as well as the Emissions Performance Standard - EPS), Capacity Mechanisms should focus exclusively on the adequacy and affordability of the energy supplied across the EU, adding no further, unnecessary complexity to the State Aid schemes in further pursuance of environmental goals.

In the context of EU's clear orientation to cost-efficient policies, State aid should be only considered as a last resort, complementing strictly market-based policies that are already in the toolbox of the EU policy makers. Additional such market-based policies will also most probably emerge in the context of the fast-developing energy and environment-related markets, in support of the decarbonization and climate goals of the EU.

- PPC would like to point out that market-based policies, such as the Emission Trading System (ETS) and the Certificates of Origin (GOs), do promote environmentally sustainable energy by providing low-carbon technologies with room for additional price margins and/or additional revenues.
- At the same time, in certain cases, where the level of State aid support was not carefully assessed taking into account the effect of the aforementioned market-based policies as well, there has been overcompensation of the beneficiaries, eventually resulting in windfall profits and/or free-riders. The serious distortions introduced in the markets in this way have led to a considerable increase of the overall cost of energy for the consumer, adversely affecting the affordability of energy products and, consequently, the energy poverty issues that are already acute in many MS.

Past experience has clearly shown that non-market-based State aid schemes have in many cases led to serious market distortions and considerable additional costs for the consumers.

- The adverse impact of early, administratively-determined, excessive State Aid support is still heavily influencing several electricity markets across the EU.
- Long-term State aid commitments concerning administratively defined remuneration, such as the feed-in tariffs, do support the bankability of energy projects, especially for certain market participants such as the SMEs and the Energy Communities. However, such State aid schemes that are not linked to actual market conditions, run the risk of resulting in unnecessarily high subsidies, distorting competition and thus adversely affecting the smooth operation of the markets.
- The amended EEAG has to provide a robust market-based framework for State aid, concerning both the award of state aid, which should ideally be based on auctions, and the actual level of support provided, which should reflect the actual market conditions such as the evolution of the supply vs demand balance. To our view, such an approach is crucial for providing optimal support and level playing field for all participants.

PPC is looking forward to further contributing in the process of updating the State Aid for Environmental protection and Energy Guidelines for the upcoming decade.