



## **Comments to Part 1: State aid control on behalf of Slovenské elektrárne, a. s.**

1. *What are the main changes you would like to see in the current State aid rulebook to make sure it fully supports the Green Deal? Where possible, please provide examples where you consider that current State aid rules do not sufficiently support the greening of the economy and/or where current State aid rules enable support that runs counter to environmental objectives.*

Taking the announcement of the European Green Deal into account, the revision of the Guidelines on State Aid for Environment and Energy 2014 – 2020 (EEAG) appears to be unavoidable. Only with having an up-to-date cornerstone document on State Aid provision in this domain, the goals outlined by the European Green Deal might be achieved. It is to be underlined that the current version of EEAG appears to be a suitable reference document for this task. In this regard, we would appreciate if the Commission adhered to these ideas and principles:

### Enabling provisions for RES support:

The Commission announced its plans to transform the European energy system into a decarbonized, cost-effective system based on renewables and other low-carbon sources. If this is the case, EEAG should retain the State aid (both investment and operational one) to support RES. As regards investment aid, we call for higher intensity of State aid than today. Such incentive could bring additional impetus for Member States and individual investors to build new sources, thus reinforcing also Union's energy and climate targets.

Moreover, the State aid in this regard should be allowed not only for newly built RES, but also for modernization and retrofitting of the existing ones. It is a matter of fact that there is a lot of RES already in place which are at the end of their subsidy schemes (in particular solar or wind) or they are already in operation for several decades (mainly hydro power plants) – without further incentives, they might lose their competitiveness or operational reliability, thus hindering also the attainment of proclaimed energy and climate goals. Therefore, keeping existing RES as an integral part of the energy system and enabling their modernization and retrofitting could be more cost-effective than supporting purely deployment of newly installed RES.

In Slovakia, this could be the case of the existing hydropower plants (run-of-river hydropower plants, as well as pumped-storage hydropower plants) which substantially contribute to high share of electricity generation without CO<sub>2</sub> emissions. By their modernization or retrofitting could be provided higher RES production, as well as more flexible and balancing services for the electricity network. It is needed to keep in mind that this infrastructure was built decades ago and it requires further investments in order to keep and even increase their importance in the whole electricity system to contribute to proclaimed EU climate and energy objectives.

### Enabling provisions for supporting storage facilities:

It should be ensured that the revised EEAG allow for State aid for storage facilities, including the pumped-storage hydropower plants. Any support for storage facilities should be non-discriminatory and technology neutral. It should be equally supported not only to construct any newly built storage facilities, but also to enable the modernization and retrofitting of the existing infrastructure. In particular, enabling the modernization and retrofitting of the existing storage facilities (including the pumped-storage



hydropower plants), the respective energy system gains additional capacity for integrating higher share of RES, thus providing the required flexibility of the grid by balancing the intermittent RES.

In Slovakia, there is currently high capacity of storage facilities namely thanks to the pumped-storage hydropower plants. By their modernization and retrofitting, we could reach much higher efficiency, flexibility and extend their life-time. It should be highlighted that existing pumped-storage hydropower plants are storage facilities and their environmental effect is much more positive comparing to other newly built storage facilities.

#### Enabling provisions for supporting hydrogen generation facilities:

In line with the recently announced EU Hydrogen Strategy, the revised EEAG should incorporate also the support for building the new hydrogen generation infrastructure, both for renewable and low-carbon hydrogen production as the way for decarbonisation of various sectors of economy. The State aid should be aimed at renewable and low-carbon electricity production used for hydrogen production, as well as for deployment of new electrolyzers as such. As hydrogen seems to be the future energy carrier, it should be guaranteed that the State aid intensity would be as high as possible to motivate investors for building such facilities. It is mainly underpinned by the fact that building RES or low carbon hydrogen generation facilities could not be currently feasible based on market conditions, but requires significant amount of support. Such approach would contribute, primarily, to the development of hydrogen infrastructure and, secondary, enhance further the ability of local energy systems to integrate more RES.

In Slovakia, we see the potential of hydrogen production mainly for industry decarbonisation and development of sustainable mobility in medium-term to long-term perspective.

#### Enabling provision for supporting environmental remediation and land restoration in regions in transition:

The revised EEAG should also include the possibility to support the greening of industrial areas in regions in transformation and reflect at least conditions governed currently by GBER. Under the term “greening”, we understand various activities linked not only to environmental remediation and land restoration, but particularly to preparation of the environmentally harmed sites for further deployment of RES. Such areas should be enabled for the support preferentially if they are located in coal regions in transition. In such cases, any support for these “greening” activities would not only mean a contribution to just transition in the given region, but also to improvement of the environment and to achieving the energy and climate goals of the EU.

#### Capacity Mechanism:

First of all, we propose that EEAG with regard to capacity mechanisms shall incorporate and reflect all relevant provisions of the Regulation (EU) 2019/943 of the European Parliament and Council on the internal market for electricity. Before the adoption of capacity mechanisms, Member States should carry out and perform proper resource adequacy assessment at the EU level and at the national level in line with relevant provision of the Regulation 2019/943 and other related legislation. Further, it must be ensured that there are no restrictions for cross-border participation to capacity mechanisms. It practically means that it is necessary to ensure that existing capacity mechanisms will not contain any discriminatory conditions between domestic and foreign capacity providers. In this regard we call for careful assessment of existing capacity mechanisms already in place and, if necessary, apply the relevant remedial actions at hand.



### State Aid Intensity:

The State aid intensity should be governed by these principles:

- a) higher intensity of State aid in regions hit by just transition (i.e. green transition of the coal regions);
- b) higher intensity of State aid for activities directly supporting the energy and climate goals promulgated by the European Green Deal (mainly deployment of new RES and storage facilities and retrofitting of existing RES and storage facilities);
- c) subsidising newly announced energy priorities of EC (e.g. renewable and low-carbon hydrogen generation)

In general, the State aid should be predominantly aimed at less developed regions (and even more intensively at regions hit by the transition) by providing higher intensity of the aid than in other regions.

2. *If you consider that more State aid to support environmental objectives should be allowed, what are your ideas on how that should be done?*
- a. *Should this take the form of allowing more aid (or aid on easier terms) for environmentally beneficial projects than for comparable projects which do not bring the same benefits ("green bonus")? If so, how should this green bonus be defined?*
  - b. *Which criteria should inform the assessment of a green bonus? Could you give concrete examples where, in your view, a green bonus would be justified, compared to examples where it would not be justified? Please provide reasons explaining your choice.*

In general, the idea of supporting environmental objectives through State aid seems to be interesting – we perceive the European Green Deal aligned EEAG as the best expression of such approach. However, any such support should be expressly covered by EEAG and directly aimed at supporting environmental objectives in the areas and in a manner expressed above. Under certain circumstances, the concept of green bonus might be introduced in the revised EEAG, however, its definition seems to be extremely challenging and hardly feasible. Nevertheless, it would be very dangerous if the green bonus concept would lead to any case of exclusion of support, especially in cases and regions where the socio-economic situation is difficult and any unjustified denial of support could lead to further deterioration of local living conditions.

3. *How should we define positive environmental benefits?*
- a. *Should it be by reference to the EU taxonomy and, if yes, should it be by reference to all sustainability criteria of the EU taxonomy? Or would any kind of environmental benefit be sufficient?*

We do not see the EU taxonomy framework to be an appropriate and well placed instrument in this case. Under the current knowledge and status of the work in this area it could restrict areas of support to certain amount of technologies and, thus, restrict the potential of other technologies to contribute to the climate and energy goals (mainly to the decarbonisation ones). This could make it difficult for certain Member States to follow the decarbonisation pathway in the future. Even more, today, the taxonomy framework is still not a closed, but rather a living and evolving instrument which makes this issue even

more difficult. In this perspective, we do not find the EU taxonomy as a suitable reference instrument in the up-coming EEAG revision.