



# Competition Policy supporting the Green Deal – Call for contribution

## SolarPower Europe contribution to Part 1

### 1 Part. 1: State aid control

**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.**

Preliminarily, SolarPower Europe would like to stress the importance and benefits of the European competition policy, which allowed the emergence of the most innovative and the cheapest Green Deal technologies. The introduction of competition in energy markets, accompanied with carbon pricing mechanisms, has allowed the emergence of alternative technologies. The introduction of competitive bidding processes to allocate public support for renewable energies has also allowed important cost decreases for solar PV, reaching cost competitiveness with conventional energy sources in most countries<sup>1</sup>.

Nevertheless, the rising share of some technologies such as solar in the energy mix, and its growing weight in energy industrial value chains, energy sector employment, energy system integration, call for an adapted approach to State aid control policies in the field of renewable energy. In particular, member states should be able to deviate from the sole driving criterion of cost-competitiveness in auctions, under very strict conditions, to value other elements beneficial to the Green Deal - innovation, sustainability, job creation, SMEs. In particular, SolarPower Europe had made the following proposals (see [SolarPower Europe's position paper on the revision of the Energy and Environmental State Aid guidelines](#)):

- Exempt systems below 3 MW from competitive bidding processes. This would avoid putting pressure on smaller bidders and new entrants who cannot compete with larger actors and are unlikely to engage in a costly and time-consuming bidding process. This would also boost the rooftop PV, prosumer market, which is the most job intensive segment<sup>2</sup> in the solar industry.
- The price should be clearly set as the main selection criterion in the bidding process, to stimulate competition and avoid non-realisation of projects. Yet, it should be possible for member states to introduce additional bonus criteria in competitive bidding processes, to value the grid integration performance or the sustainability attributes of projects, including use of reclaimed land.
- Allow specific, but capped tender volumes, for innovative renewable technologies (agri-PV<sup>3</sup>, floating solar, building-integrated PV) to support their market deployment, allow the deployment of new industrial activities and open the deployment of renewables to other types of land (water ponds, urban buildings), necessary to reach EU objectives.

In addition, European competition policy should allow limited, temporary State aid to promote the scale up of new industrial activities via clean energy technology routes. Such a revision should pay special attention to industrial players who are facing the double challenge of transitioning from conventional and fossil-based to climate-neutral production routes, while maintaining their global competitiveness on markets. For this reason, SolarPower Europe welcomes the revision of the Communication on Important Projects of Common European Interest (IPCEIs). Yet, IPCEIs must be complemented by

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<sup>1</sup> "With sharp cost reductions over the past decade, solar PV is consistently cheaper than new coal- or gas fired power plants in most countries, and solar projects now offer some of the lowest cost electricity ever seen." [IEA, World Energy Outlook, 2020](#)

<sup>2</sup> [SolarPower Europe \(2017\) Jobs and Value Added in Europe](#)

<sup>3</sup> See [SolarPower Europe \(2020\) Agri-PV. How solar enables the clean energy transition in rural areas](#)



additional industrial strategy tools such as access to cost-competitive financing sources, access to land, industrial alliances, etc.

Finally, renewable hydrogen has been identified as the cleanest solution to decarbonize the hard-to-abate sectors, where direct, renewable-based electrification is not feasible or not cost-efficient. To level up the playing field it is necessary to set up support frameworks, including State aid, to promote the cost competitiveness of renewable hydrogen production routes and solutions compared to fossil-based hydrogen, subject to compliance with competitive rules. Therefore:

- The legal framework for Energy and Environmental protection State aid should be reviewed in such a way as to allow State aid for the production of renewable-based hydrogen. Such support framework includes **demand-side support mechanisms**, such as dedicated tendering systems for carbon contracts for difference (CCfD)<sup>4</sup> to help reduce the financial risks for investors in renewable hydrogen or contracts for difference systems granting a premium on the price of hydrogen.
- Any such support framework should be based on a robust European certification system for renewable energy including hydrogen that ensures the compatibility between renewable support schemes and Guarantees of Origin (GOs) and enables the creation of a renewable-based hydrogen market. The European Union should adopt an EU-wide harmonised and functional approach to GOs as critical to evidence the creation and use of renewable energy sources, guaranteeing the traceability and issuance.
- In the long-term, renewable hydrogen will only be competitive vis-à-vis fossil-based production if the cost of renewable electricity is sufficiently low.<sup>5</sup> As the biggest cost factor, the (projected) price of renewable electricity significantly determines the economic feasibility of renewable hydrogen as a stand-alone business project. Under current decarbonization scenarios, the price of renewable-based hydrogen is unlikely to drop below the price level of fossil alternatives by 2030 due to the strongly increasing market demand and insufficient deployment rates. In cases where the comparatively higher OPEX costs act as a discouragement for timely investments, the revised State Aid framework should allow Member States to initiate **targeted and time-limited supply-side support** to increase the relative competitiveness of renewable hydrogen vis-à-vis fossil-based production.

**2. If you consider that lower levels of State aid, or fewer State aid measures, should be approved for activities with a negative environmental impact, what are your ideas for how that should be done?**

**a. For projects that have a negative environmental impact, what ways are there for Member States or the beneficiary to mitigate the negative effects? (For instance: if a broadband/railway investment could impact biodiversity, how could it be ensured that such biodiversity is preserved during the works; or if a hydro power plant would put fish populations at risk, how could fish be protected?)**

As a general principle, projects that have a negative environmental impact (accounted on the basis of their LCA-based environmental footprint including the greenhouse gases emissions of the project), should not be eligible to receive public support, in accordance with the objective of the European Green Deal. This is in line with national objectives to phase out energy subsidies, in particular fossil fuels, as part of the last Governance Regulation.

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<sup>4</sup> With such long-term contract with a public counterpart, it would be possible to remunerate the investor by paying the difference between the CO<sub>2</sub> strike price and the actual CO<sub>2</sub> price in the ETS in a direct manner, bridging the cost gap compared to conventional hydrogen production.

<sup>5</sup> Current estimations by the European Commission indicate that renewable hydrogen (EUR 3-5.5/kg) costs more than the double of fossil-based hydrogen (EUR 2/kg). [COM\(2020\) 953 final, Report on progress of clean energy competitiveness.](#)



In addition, projects that have a positive environmental impact (assessed using the same LCA-based approach) and that contribute in particular to the European Green Deal objective of reducing carbon emissions should be prioritized.

**3. 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 accordance with article 11 of the Treaty on the Functioning of the European Union and the European Green Deal, State Aid should be used to support the transition of the European Union to a climate-neutral economy by 2050 and to unlock the important volumes of investments needed, notably in clean energy technologies. At the same time, State aid should focus on the technologies and projects that contribute the most to the European Green Deal and not result in stranded investments.

With that perspective in mind, the use of a green bonus for environmentally beneficial projects in State Aid control could be envisaged, provided that it is based on a robust and transparent “environmental benefit” criterion. Such a criterion should be in line with the following principles: (i) the European Green Deal objective, (ii) the energy efficiency first principle and the priority to direct electrification when applicable, and (iii) the phase out of fossil fuels subsidies.

Such an approach could lead to a facilitated access to State Aid for renewable and clean energy technologies. In the case of hydrogen, a green bonus used in State Aid allocated to industrial investment should not lead to the production of hydrogen produced from fossil fuels to outcompete hydrogen produced from renewable electricity.

**4. How should we define positive environmental benefits?**

**a. Should it be by reference to the EU taxonomy<sup>3</sup> 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?**

It is critical that the European Commission uses objective references when assessing negative or positive environmental impacts of projects. Such references should include the EU taxonomy with regard to its climate mitigation and adaptation objective. It is a good guide of what is a sustainable asset, and what is not from a climate perspective, and it also states the important notions of where an industrial activity, or infrastructure projects, may ‘do significant harm’ to the environment.

Yet, State aid rules in particular should also ensure adequate funding for activities that contribute to the transition towards climate-neutrality and for public policy priorities measured against Environmental, Social and Governance (ESG) factors. As the taxonomy in its current form is not completed (covering only 2 out of 6 objectives and with secondary legislation still to be adopted), its application in the broad framework of competition policy rules should reflect this element and be modulated accordingly, in order to guarantee the legal certainty and ensure that revised State Aid guidelines can be fit for purpose.

It is particularly important that assets considered to be compliant with the taxonomy have priority access to recovery funding if the EU is serious about its green ambitions.