

Competition policy supporting the Green Deal

Finnish Energy strongly supports the European Green Deal's goal of climate neutral Europe by 2050. We believe that the Green Deal can significantly contribute to building a carbon neutral and competitive energy system in Europe. For the energy sector, the climate framework should provide clarity and long-term certainty of the 2050 carbon neutrality target and maintain the Emissions Trading System as its cornerstone.

Finnish Energy answers to the part 1 of the call.

The EU Emission trading scheme should be the main instrument in emission reductions in the energy sector

The energy transition needed for the Green Deal is mainly an investment challenge. Private funding should have a key role in this, because the scale of needed investments is huge and public funds are rather limited. The emission pricing should be the main driver for investments for carbon neutral Europe.

A cost-efficient and technology neutral climate framework based on the ETS will prioritize climate action and help maintaining the competitiveness of Europe and its industry. A well-functioning carbon market will also incentivize a continuous increase of renewables and energy efficiency. The main goal should be to strengthen the EU ETS and avoid overlapping national and EU level subsidies.

State aid should be more in line with EU ETS system and within EU ETS sector State aid should be granted only for new technology. Red line should be that electricity production investments which carbon pricing and markets can deliver should not be subsidised in future.

The energy transition is a technology challenge

When aiming at carbon neutrality, big emission reductions are needed in transport, industry and heating sectors. There are sectors where there is no technology commercially available for needed emission reductions. Therefore, it is essential to develop new technologies, such as different carbon capture, storage and utilization technologies, hydrogen, nuclear, smart energy networks and production technologies as well as integrate the energy system. Therefore, public funding should focus on the R&D and demonstration phase of technologies.

State aid Guidelines should ensure a well-functioning internal electricity market

Improving Europe's internal market for energy should be in the focus of the Green Deal and the revision of the State aid guidelines. An energy market where cross-border energy flows effortlessly will maximise integration of carbon neutral energy, which is essential in the decarbonisation of the EU economy. The Green Deal shall not be evaluated only from climate perspective, but it also has significant economic impacts. Attaining the climate goals set for 2030 requires that economic growth shall be balanced and sustainable.

The measures of State aid should be regulated so that the harm caused to the energy and emission markets is minimized. Mature and commercial technologies do not need any State aid nor subsidies since this would significantly distract functioning energy market.

Especially currently due to the covid-19 pandemic, it is tempting to support national electricity production, even with mature technologies, through State aid or upcoming RRF. However, such measures shall be avoided. In short-term, it is possible speed up many new investments with public funding, but in the long run those slow down the market-based investments.

When there will be public subsidies for electricity production, the information about these should be available for market actors as early as possible. Information is crucial for the investors planning market-based investments in carbon neutral electricity production, but also project developers planning to invest based on State aid. At the same time, there should be a very clear vision about the phasing out of the possible subsidies.

For instance, because of technology development and reduced production costs renewable energy has become much more competitive within the past years. The need for financial support has decreased significantly. This should be considered as well.

Competitive, technology neutral and market based State aid schemes would bring transitions costs down

When State aid schemes are at place, they should be technology neutral and established in a way that all renewable and carbon neutral technologies could participate into the scheme or competition. Production technologies have different roles as well as strengths and weaknesses in the energy system and market. It should be up to market actors to decide which technologies the market and the system needs and where to invest.

The climate challenge is global, and the EU is committed to create and implement climate policy together as a continent. For this reason and for the sake of the internal market, the EU should steer Member States to regional and cross border co-operation in the field of State aid. This could increase competition within subsidy schemes and bring needed State aid levels down.

Taxonomy and green bonus need thorough evaluation

In case the EU taxonomy will be used as reference when defining positive environmental benefits, it should be comprehensive enough for that purpose. Mature technologies should not need State aid, thus there is no need to apply the Taxonomy criteria. As mentioned, the support schemes need to focus on new technologies. If a new technology reducing environmental damage would be under development to improve an existing technology that otherwise does not fulfil the sustainability criteria of the EU taxonomy, it should still be applicable for State aid. It is still quite unclear how such scenarios are treated under taxonomy.

Currently there is no systematic green bonus defined. Rewarding positive environmental benefits is welcome, but creating such systematic criteria seems rather difficult. Environmental challenges are multidimensional and industrial activities have different kind of environmental impacts. These are so far mainly be solved through other means and instruments. These kind of instruments are support schemes for solutions or research programs solving a specific environmental harm, command and control steering, etc.

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