

Competition Policy supporting the Green Deal

Call for Contributions

Enterprise Ireland Submission

November 2020

1. Introduction and Overview

Competition policy plays a key role in influencing the investment and operational choices made by enterprises and can have a significant impact by encouraging firms to make choices that will address climate change and protect the environment, in tandem with complementary measures such as regulations, etc.

Enterprise Ireland's traditional role has been assisting indigenous businesses increase their competitiveness and to grow. Advancing the green agenda has emerged as an increasingly important objective and in future years this goal will take on a more central role.

This document has been developed in response to the recent EU Commission Call for Contributions in relation to Competition Policy and the Green Deal. It addresses a number of the questions set out by the Commission that are most relevant to Enterprise Ireland's mandate and includes a number of proposals and ideas which seek to ensure that Competition Policy continues to effectively enable Member States to support economic development in a way that also advances the objectives of the Green Deal.

2. Relevant Questions and Answers

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.

The existing Aid for Environmental Protection provisions (Section 7, GBER) are in many ways effective and appropriate.

They could, however, benefit from a modernisation upgrade to reflect advances in understanding the full complexity of what is required to achieve optimal sustainability outcomes. We therefore recommend that the Environmental State aid provisions are widened from a focus on incentivising specific technological solutions or specific parts of production. The environmental provisions would benefit from including supports that encourage activities by enterprises that will produce broader positive environmental outcomes, i.e. to promote changes that fully incorporate a company's entire product footprint from design, supply chain, environmental impact of purchases, production, distribution and end of life solutions.

Environmental protection measures for undertakings should seek to incentivise decision making and investments by undertakings that both directly (e.g. capital investment in energy efficiency) and indirectly (e.g. supply chain decisions) lead to improvements in environmental outcomes.

When designing incentives for positive environmental activity, we recommend that higher bands of State aid assistance should be allowed where enterprises achieve additionality in their sustainability outcomes, as opposed to mere positive environmental outcomes. For new projects, the level of aid would depend on the sustainability outcome achieved versus an industry standard sustainability, taking local challenges (such as remoteness) into account.

In addition, further guidance on the definition of environmental protection would be of assistance, to ensure that it encourages support for investment across a wide range of sustainability measures (e.g. packaging).

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?

It would be useful if the relationship between different regulatory policies (e.g. State aid and the Emissions Trading System) was clarified. Clarity on the interaction between the EU's Emissions Trading Scheme (ETS) and other State Aid regulations would ensure the optimisation of measures to achieve policy objectives, while ensuring compliance (e.g. the ability to provide support to undertakings (under GBER) for the purpose of environmental protection where they are operating within the ETS).

3 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?

Yes – a higher impact could be achieved if non-environmental State aid measures allowed additional aid intensities where positive green outcomes can be demonstrated.

To incentivise greater embedding of environmental and sustainability projects into company development, a higher grant aid intensity for different supports for undertakings – e.g. capital, employment, innovation supports – should be considered where the projects being supported can identify an environmental improvement.

4. How should we define positive environmental benefits? a. Should it be by reference to the EU taxonomy³ 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

Enterprise Ireland believes that significant benefits would accrue from ensuring that there is a level playing field across the EU with the outcome of the uniform application of environmentally friendly incentives. On this basis, the EU taxonomy should be developed so that it can be applied to State aid measures relatively easily, and monitored centrally by the EU where appropriate.

A clear taxonomy for environmental protection/sustainability would be positive to enable clarity on levels of support and eligibility of activity, and to provide a level playing field among Member States.

3. Conclusion

Enterprise Ireland welcomes this initiative by the EU Commission and endorses the ambition and objectives of the Call to Contributions. We believe that a modernised and fully integrated State aid regime that is aligned to environmental measures has the potential to be a strong driver to achieving Green Deal outcomes, which are essential to future growth and sustainability.