

Call for contributions

Competition Policy supporting the Green Deal

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.**

Eurogas is committed to achieving the objectives of the Paris Agreement and supports the EU's ambition to reach climate neutrality by 2050. Eurogas supports the GHG emissions reduction target by 2030 of at least 55% including emissions and removals and recognises that meeting EU climate targets requires a suitable 2030 policy framework, that delivers an energy mix that is both economically and environmentally sustainable, and which guarantees security of supply.

With regard to Guidelines on State aid for environmental protection and energy ([2014/C 200/01](#)):

- Definition need to be updated:
 - (§19)(5) Hydrogen and derived synthetic gases/fuels produced from renewable electricity should be explicitly recognised as 'renewable energy source'.
 - (§19)(31)(b) 'Energy infrastructure' should include transmission and distribution pipelines for the transport of hydrogen
- (§35)(b) Positive Externalities: should provide for better recognition of cross-sectorial externalities. For instance, where biogas and biomethane is produced from manure and waste, it can help to lower methane emissions from agriculture.
- Section 3.3 on aid to energy from renewable sources should ensure that assessments for aid for renewable projects also consider the dispatchability of renewable energy. Large scale deployment of electrolyzers could help to counteract the downward pressure effect on wholesale electricity prices resulting from increasing penetration of renewable electricity with low or zero marginal costs. It could reduce VRES investment risks, increase the share of RES-E while also increasing the availability of renewable hydrogen.
- (§110) Targeted support to help commercially immature technologies will continue to be relevant. Renewable and low-carbon gases are at the early stage and an important cost reduction can be achieved through scale-up, with the right level of public support, similar to the initial start-up of renewable electricity. Additionally, their benefits for the system may be much higher than a Levelized Cost of Energy (LCOE) comparison may suggest, as such an approach does not take into account positive externalities, such as the ability of gaseous fuels to provide seasonal flexibility and security of supply along with facilitating additional

renewable integration, and underestimates the integration costs of intermittent energy sources.

- (§118) The principle of the waste hierarchy must be strengthened. Eurogas consider that biogas and biomethane production from waste and residues should be supported, as locally and sustainably produced biogas and biomethane, from non-food and feed crops, contribute to the necessary modernization and decarbonation of European agricultural by promoting modern land-use and waste management techniques and practices.
- (§182) Clarify how the costs for support schemes shall be recovered, such as through taxes, specific or general consumption levies. Each energy vector must bear the cost of its own decarbonisation. Each energy carrier's bill shall integrate only the cost, charges and levies linked to the production, transport and retail of that specific energy carrier. A cross subsidisation across energy carriers or sectors would create market distortions. By allocating the relevant energy system costs (including incentives and subsidies) to the respective energy carrier, adequate price signals are sent to energy consumers. Consequently, consumers can make an educated choice for the energy option that fits their preferences and requirements.
- Section 3.6 on carbon capture and storage should be expanded to cover carbon capture and utilisation. Moreover, the guidelines need to be updated to allow for a wider range of different circumstances and business models. This may need to involve both investment aid and operating aid with the same degree of flexibility that has been made available for renewable energy investments.

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?

European and national environmental law ensures that the environmental impacts of projects are excluded or reduced to the extent necessary. A complex set of technical regulations exists for this purpose. This is also - as in the past - the right place to formulate technical requirements and solve conflicts of objectives. In the context of the revision of the guidelines for state environmental and energy aid, no further requirements should be formulated in the interest of uniformity of the legal system.

Eurogas notes that it will be important to ensure that updated State Aid Guidelines take into account the importance of security of supply and thus support all gaseous energy projects – including renewable gas and low-carbon gas as well as natural gas and LNG (i.e. small scale) – where these contribute to the Union's climate objectives. If a definition of 'negative environmental impact' is further pursued, the update should consider that:

- In most of Europe, significant and cost-effective CO₂ reductions can be achieved through coal and oil to gas switching in power generation, industry, transport, and heating.
- The need for flexible power generation will increase to cover production gaps being caused by growing intermittent renewable electricity generation and variable demand patterns.

- Investment in gas infrastructure remains crucial. This concerns expansion (e.g. renewable and low-carbon gas installations must be connected to the gas infrastructure), maintenance (e.g. to prevent methane emissions) and retrofitting (e.g. to integrate hydrogen) activities. Moreover, coal and oil to gas switching will also require investments relating to gas distribution, storages, LNG terminals, Small Scale LNG solutions and multimodal solutions to expand gas for transport.

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?)

- EU Member States should be encouraged to include in their NECPs a gas decarbonisation pathway for instance by setting targets. This could be achieved through a binding 2030 EU-level targets to lower the greenhouse gas intensity of gas consumed in Europe and accelerate the demand growth for renewable gas, as outlined in a joint proposal by Eurogas and the European Biogas Association.
- Details are available via the following link
https://ec.europa.eu/info/sites/info/files/energy_climate_change_environment/events/documents/02.04_mf34_background-eurogas_eba-targets_for_renewable_and_low-carbon_gases.pdf

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?

- Eurogas believes that State aid should support technologies and activities that support environmental objectives in particular considering their dispatchability and cost-efficiency, to pursue the objective of climate change mitigation at least-cost. Additionally, State aid must take into account to uphold security of energy supply in the EU at a reasonable price.
- The current energy market design does not consistently ensure that state aid is allocated efficiently. When comparing different technologies, focusing only on LCOE without paying attention to system integration costs could lead to inefficiencies and increased overall costs. It is important to not only include the direct cost of a project including the initial capital investment, maintenance costs, fuel cost (if any), operational costs and the discount rate, but also indirect costs related to network reinforcement, balancing and back-up needs.
- The creation of a level playing field is essential, especially in case of a proven market failure due, for example, to externalities which cannot be internalised or if the technology has a proven overall value for the energy system which is not currently accounted for.
- Technology-specific support mechanisms (such as contracts for differences with “tender for premium setting” for large installations) and EU funding mechanisms

are necessary to ensure that these technologies (e.g. biomethane, hydrogen and CCS/CCU) are market ready as fast as possible and that their development is not stopped prematurely.

- Eurogas recommends explicit technology specific support, through competitive tenders for larger projects, until new technologies reach maturity and gradual phase out of support as innovation and competition drive a reduction of costs.
- Simplify administrative procedures to access funding/financial support for small size renewable gas and small-scale LNG installations.
- Provide incentives for the upgrading of biogas to biomethane and its use and injection into the grid.
- Eurogas would support the development of an EU framework to harmonise existing national support schemes, thereby reducing market distortions and spurring coordinated development across Europe.
- Develop a “best practice” dialogue to learn from existing schemes in Member States and Best Available Technologies (BAT) in the sector, both in order to spur the development of renewable and decarbonised gas projects and to help create a level-playing field between Member States.

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?

- Current forms of aid given to variable renewable electricity generation led to spiralling levels of subsidies and increased curtailment.
- Any possible future form of a “green bonus” must avoid exaggerating this trend. A green bonus could be assessed considering in particular the dispatchability of a renewable and low-carbon energy project that are in line with the Green Deal objectives.
- While a “green bonus” can be a good tool to allow for easier access to state aid or for a higher state aid intensity, it must be designed in such a way that it does not act as a “malus” for other projects which do not have the same environmental benefits. Negative effects can only be resolved in the technical legislation and in the weighing of the eligibility for subsidies per se. Thus, all projects that serve ecological objectives such as climate protection and meet the requirements of the technical law in individual cases should be fully eligible for aid. The bonus must then be designed as a genuine improvement for certain projects. It is conceivable that certain projects could be included in the block exemption regulation.

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.

- Large scale deployment of electrolyzers could help to counteract the downward pressure effect on wholesale electricity prices resulting from increasing penetration of renewable electricity with low or zero marginal costs.
- It could reduce VRES investment risks, increase the share of RES-E while also increasing the availability of renewable hydrogen.

4. How should we define positive environmental benefits?

- We suggest a technology neutral definition of positive environmental benefits. The focus should be on activities that help to achieve climate ambitions on time, and in the most cost-efficient manner, while maintaining security of supply and system resilience.
- The concept of environmental benefits should therefore be assessed in a holistic manner, considering positive externalities across the energy system (e. g. emission reduction, dispatchability). Gaseous fuels provide seasonal flexibility, security of supply and can facilitate the integration of variable renewable electricity.