## Part 1: State aid control

**As input to the debate on how State aid control and environmental and climate policies work together – and how they could do that even better, please consider the following questions:**

We welcome the debate on how the competition policy, including state aid control, can best support the objectives of the Green Deal. Overall, we agree with the Commission that competition and State aid policies are not in the lead when it comes to protecting the environment: environmental regulation and taxation are much more effective tools to address these issues. However, the role of EU's State aid control and its capacity to positively contribute to EU's growth and supporting EU policies has been acknowledged for a long time. In this regard, the EEAG Guidelines as well as the corresponding provisions of the GBER have given Member States the possibility to provide incentives to companies to protect the environment and invest in green technologies.

While we agree with the Commission that it is worth to explore whether State aid policy could promote the green objectives even better, in our view, the basic fundaments of EU State aid control should remain in place also in the next programming period. Firstly, the State aid rules should continue to channel public funds to well-designed objectives and target market failures. In our view, the State aid rules should allow aid to be targeted to growth-enhancing new investments in a technology neutral manner and the possibilities to grant operating aid should remain limited. Secondly, in order to promote sustainable growth, State aid measures have to be proportionate and have a clear incentive effect. That is, aid must change the behavior of the beneficiary in such a way that it undertakes activities that it would not have done without the aid. Finally, we would like to highlight that the very purpose of EU's State aid control is to ensure a level playing field for European companies and minimize the risk for competition distortions in the internal market. Any changes to existing rules should be done keeping these basic premises in mind.

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.*

As regards the revision of State aid rules on energy and environmental aid, we are happy to see, that the Commission has recognized many of the key issues in the current State aid rules that need to be revised. For Finland, it is important that the rules are up-dated to be in line with current energy legislation (e.g. RED II), flexibility for new types of investments is increased and the reference investment principle is reviewed in order to enable aid for new kinds of energy technologies.

The current EEAG and corresponding GBER rules have, to some extent, delivered on their objectives. Especially the rules on energy aid should be up-dated and modernized in order to enable investment aid for new technologies. The energy sector has developed fast in the recent years. In the current rules, the focus is on supporting the production of renewable energy, energy savings or infrastructure that mainly relates to fossil fuels. The lines between different energy sectors are, however, not so clear anymore, and new types of investments may include several of these elements. It is especially difficult to assess these kind of investments in the light of the reference investment principle. State aid assessment based on reference investments is, in any case, out-of-dated regarding energy investments.

Regarding circular economy investments, the current State aid rules do not offer simple solutions, since a circular economy investment usually falls under many GBER provisions instead of just one or two. Since different GBER provisions have different kinds of requirements regarding e.g. eligible costs, it is rather difficult to apply several GBER provisions to a single circular economy project.

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?)

   According to the existing rules, State aid is authorized if it contributes to one or two EU policy objectives set out in TFEU 107 (3). In practise, environmental factors are not taken into consideration in other State aid rules than in the EEAG (and corresponding GBER rules). State aid that has a negative impact to the environment is prohibited only if the supported activity infringes environmental regulation.

   In our view, there is room to assess whether a firmer approach could be taken – at least in some areas – to State aid measures that clearly undermine the objectives of the Green Deal. This could mean the introduction of stricter requirements or criteria that mitigate the negative environmental effects. In particular, state aid measures with a total sum of negative environmental impact should be avoided. Introducing stricter environmental requirements could fit well for example to the Rescue and Restructuring State aid Guidelines. However, a firmer approach may not be justified in all State aid rules and introduction of new requirements should not undermine the core principles of EU State aid law.

   We would also like to highlight that defining specific criteria for environmental harm and mitigation can turn out to be very difficult in practise. This is especially true for example in the field of biodiversity. State aid rules should be easy to apply and create predictability for businesses. In the event that the EU state aid framework is adjusted to address situations with negative environmental impact, careful consideration and consultation with the Member States is needed as part of the drafting process for the evaluation criteria. In order to ensure equal application of State aid rules, this kind of assessment could be first applied only to State aid measures that are subject to the notification obligation. Once the case-practise evolves, corresponding amendments to the GBER could be considered.

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?

   Finland welcomes the idea of integrating a green bonus to state aid rules that are originally meant to promote other objectives than environmental objectives (i.e. state aid measures that are not based on energy and environmental aid rules). However, it is essential that the criteria for these rules is clear and coherent and the application of these rules will lead to results that are predictable and do not undermine the fundamental objectives of State aid policy. At the first stage, to ensure equal application of State aid rules across Member States, it would be important to link the green bonus only to aid measures under the notification requirement. It is also important to make sure that the "green bonus" has an incentive effect of its own instead of only allowing more aid for projects for which the regular aid amounts would be incentive enough.

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.

The green bonus should be in line with the effects of the environmental friendly investment. One way to ensure this would be to link the bonus with the additional costs necessary to achieve the environmental objectives (reference to a comparable project). It is also important that the green bonus will not be granted for investments that do not go beyond the environmental standards or legislation.

4. 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?

In our view, the positive environmental benefits should not be by reference to the EU taxonomy.