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To: European Commission, DG Competition

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Response to the call for contributions on Competition Policy supporting the Green Deal

About Nordenergi

Nordenergi is the collaboration between the Nordic associations for electricity producers, suppliers and distributors. Members are Danish Energy Association, Energy Norway, Finnish Energy Industries, Samorka – Icelandic Energy and Utilities and Swedenergy. Overall, Nordenergi represents more than 800 market actors (member companies), most of them active in the electricity sector, but also in other areas such as district heating, gas and services.

Nordenergi response focus on input to the debate on how State aid control and environmental and climate policies work and part 1 on state-aid control.

Summary:

A revision of Energy and Environmental Guidelines (EEAG) in the State aid rules should:

1. **Create conditions for a well-functioning electricity market.**
2. **Introduce a better linking to EU ETS and the Green deal agenda.**
3. **Limit direct state aid to renewables and potential support measures should be market based to not distort market signals.**

A well-functioning and competitive electricity market

Nordenergi supports a well- functioning and competitive internal energy market for the EU. The Nordic power market is one integrated market with a common price setting mechanism and has to be regarded as such for different regulation purposes. We believe in the promotion of a predictable and better investment framework for all market actors. The State aid rules and policy is of high importance for the energy sector as well as for the wider business sector. The revision of Guidelines on State aid for Environmental protection and Energy (EEAG) should be made in line with the Green Deal agenda to support higher climate goals for 2030 and further on.

The Green Deal is also part of Europe's growth strategy. Making it the backbone of the recovery plan is not only necessary in a climate perspective, but also from an economic point of view – in order to create growth and work opportunities that are sustainable in the long run. Support schemes should be designed to conform with general market incentives. This implies time-limited schemes, that are phased out as technologies mature.

EEAG should not introduce further rules on other environmental impact, that are already covered by other EU legislation such as the Industrial Emissions Directive and Medium Combustion Plant Directive. EEAG should not link to the EU taxonomy since it lacks enough clarity but to relevant sectoral EU legislation, where sustainability criteria are already set such as for biomass in the Renewables Directive.

Fossil free electricity will be fuel for emission reduction in the future in transport and industry. Therefore, increasing of such electricity production should be based on cost efficient tools.

Subsidized electricity production distorts electricity markets. Thus, it is important, that the primary signal to producers and investors occurs through the market price and that subsidy schemes support production in line with market signals. Markets should be main tool to ensure investment incentives and security of supply.

Emission reductions and electrification of industry will require substantial investments and industries should expect a predictable framework for the necessary investments in energy production. This predictability should be based on market conformity and agreements between commercial actors and member states should respect this.

Falling renewable energy costs and stronger EU ETS system reduce the need for subsidies and state aid generally. In addition, annex III list actions which are electricity intensive, but list is not comprehensive. In future, boundaries between services and manufacturing industries will vanish and therefore existing list will be outdated and need to be revised.

Many congestion management schemes in Europe introduce de facto a national preference, likely to penalize the economic efficiency of transmission system operation (and possibly the functioning of the internal electricity market), and could be considered as a state aid. At the moment, it seems that these schemes are not assessed uniformly. DG Comp should clarify in the EEAG the framework for the assessment of all types of capacity remuneration schemes (temporarily operated by system operators only or not). The same level of detail should be provided for capacity remuneration schemes, be they motivated by security of supply issues or by congestion management requirements.

A better linking to EU ETS

We believe the EU ETS should be strengthened and function as the main instrument to meet a higher climate goal for 2030. Despite the positive developments, there are huge inefficiencies still in EU climate policy. Existing state aid rules doesn't fully recognize the EU ETS and state aid as overlapping policy with the EU ETS. Therefore, the EU should urge the member states to avoid overlapping policy instruments in the EU ETS sector.

The achievement of a meaningful carbon price signal which can drive cost-effective greenhouse gas emission reductions in the EU, in line with its Paris Agreement commitments, is crucial to achieving the transition to market-based price signals.

Renewable energy has become more competitive the past ten years

The need for subsidies has decreased rapidly during past 10 years for many reasons. Markets and market actors have much better capability to decide what kind of technologies and production energy system the market needs and deliver demand side flexibility according to market demand.

Regarding biomass EU should have a level playing field in focus and harmonized rules for subsidies, where market would define, where biomass is used and gained biggest emission reductions and added value.

It is considered that biomass will play an important role as a transition technology in the transformation of electricity systems due to its potential for cost-effective utilisation of existing assets as well as in new installations. The EEAG should be in line with the revised Renewables Directive 2018/2001 of 11 December 2018 and not limit use of forest and crop residues for electricity and heat production regarding energy tax exemptions.

Introduction of other criteria within support schemes related to biomass shall be non-discriminatory, proportionate, and always duly justified. Moreover, it shall not lead to increase of costs of support systems, which are borne by final consumers. There is no level playing field for state aid and subsidies for biomass especially for biomethane. This causes inconsistencies in the trading with guarantees of origin.

Possible financial support of storages should be reflected as an immature technology that may need support in a market introduction phase, in the revised guidelines. The market should deliver market driven solutions. The revised EEAG should therefore be strict in its wording. We would support making more explicit that support for demand-side response should be granted following a competitive process.

The exclusion of the energy sector from regional aid as well as the exclusion of own waste management and thermal processing of waste with energy recovery from waste management measures make it difficult to achieve the circular economy goals.