Att: European Commission (COMP-GREEN-DEAL@ec.europa.eu)
DG Competition, DG Climate Action

From: Federation of Norwegian Industries

Date: 18.11.2020

Cf.: **Competition Policies supporting the Green Deal**

Dear Sir/Madam,

I refer to the European Commission's call, dated 13.10.20, for contributions on "competition policies supporting the Green Deal".

The Federation of Norwegian Industries is an industry federation comprising some 20-odd sectors with close to 3000 member companies. The majority of our members are highly export oriented and energy intensive, based on hydroelectric power. The bulk of our membership is to be found within Norwegian process industries and suppliers to the maritime and offshore sectors. The companies provide key products and process methods of vital importance to the green transformation. As well known, Norway is fully integrated in the internal market and adheres to all relevant rules concerning state aid and EU energy and climate policies.

We will in the following, offer some remarks relating to the role of state aid within the framework of the European Green Deal.

- The Federation and its members fully support the EU objective of climate neutrality by 2050. This is reflected in our own roadmap from 2016. It should nevertheless be said that the proposed intermediary targets are very ambitious and is clearly challenging to industry. In order for industry to contribute to the yet decided 2030 target and ultimately the 2050 target, state aid will be of great importance and will have to be adapted accordingly

- It is of vital importance that the Union ensure a coherent approach with regard to the Green Deal, the 'recovery plan' and the Industry Strategy, making sure that any aid revisions are simultaneously and mutually supportive of these initiatives.

- The current state aid rules were formulated in different stages and at times whereby today's policies and technologies had not matured sufficiently. Matters pertaining to e.g. CCS, hydrogen, new process technologies and off-shore wind will therefore have to be taken into account into future aid frameworks, while at the same time not excluding other technologies, either based on current BAT standards or in pipeline. It is of importance that aid can also be available to companies willing to invest in today's top-shelf technologies and not solely be dedicated to future, yet unproven ('pilot') technologies. This is central if industry shall be able to act from day one.

- Aid to top-shelf decarbonization technologies should be accurate, cost-efficient and based on objective and non-discriminatory criteria. Contracts for Difference (CfD), valued by the difference between the going EUA price and the project's strike price, awarded through government-administered auctions, appears a viable mechanism.

- One of the biggest concerns of industry is the risk of carbon and investment leakage. This can only be avoided by securing a level global playing field. In the absence of comparable GHG mitigating obligations in 3rd countries, this risk persists and <u>must be</u> countered by measures like EU ETS free allocation and indirect cost compensation. The future does however remain uncertain and any revision of state aid rules <u>should take global competition into account</u>. We will maintain that as long as the (global) market cannot deliver the stated objectives, state aid should be permissible to rectify the failure in question.

- In wake of the newly established guidelines for indirect cost compensation, we will draw the attention of the Commission to the fact that some individual Norwegian installations – using only hydroelectricity and being highly export intensive – are fulfilling the objective criteria as high risk-takers of carbon leakage, but without being deemed eligible for indirect compensation. This is an anomaly in contradiction with stated policy, as reflected in the ETS directive. A qualitative assessment should be introduced for companies/installations in situations as described.

- Any new or revised aid rules must cater for member states choosing voluntary agreements as a substitute for taxation. Such agreements can be tailor-made to solve particular environmental challenges, while providing companies with necessary flexibility.

- European energy taxation, cf. ETD review, should aim at creating an EU internal market level playing field. While recognizing MS sovereignty, national levies and sub-charges should be designed with a similar objective. As with other instruments, fixation of energy taxation – structures and levels -, either at a European or a national level, should take into account global competition and the overall cost of energy.

- Finally, we would like to pay attention to the inter-relationship between aid and sustainable finance. In our view, it is crucial that state aid promoting the EDG should not be made dependent on rules – yet to be clarified - emanating from policies and regulations connected to the sustainable finance-initiative and the taxonomy. Taxonomy regulations must not constitute a hindrance for companies aiming at fulfilling the EGD objectives. Industries aiming for the future, will often look for state/EU grants and finance from the capital market in combination with own resources. If rules, regulations and practices of the former two are not mutually supportive, investments will be hard to materialize.

If you have any questions or comments to the above, please do not hesitate in contacting us.

Yours sincerely

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