



## FEDENE'S FEEDBACK ON

### COMPETITION POLICY SUPPORTING THE GREEN DEAL

FEDENE is a French professional association representing 500 energy and environmental service companies, 60.000 employees. From public and private district heating and cooling (DHC) operators to energy service companies (ESCOs), FEDENE's members implement and develop sustainable services.

Whilst the consultation covers multiple areas, the following contribution is focussed on the State aid control and more specifically on the topics most relevant for FEDENE's members' activities:

*"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?"*

*1. 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?"*

FEDENE supports the Commission's ambition to reach carbon neutrality by 2050 and to set a more ambitious target for 2030. Stepping up the reduction of EU GHG emissions requires:

- the establishment of a coherent and stable framework covering legal and non-legal tools,
- the reinforcement of financial supports for virtuous solutions.

Hence the revision of the State aid framework should take into consideration the following:

#### **1. Promote an effective application of the merit order *energy efficiency first***

Energy efficiency is clearly stated as the priority in the EU's environmental and climate policy. Besides their direct contribution to emission reduction, the energy efficiency actions will reduce the energy demand and accelerate the greening of the energy mix by reorienting freed RES capacities to substitute other fossil fuel consumption.

Energy management solutions, such as those offered by energy efficiency services (EES), are an essential tool to optimize energy consumption, and thus reduce CO<sub>2</sub> emissions, in both buildings and industrial facilities.

The Energy Efficiency Directive provisions recognise the key role of these services and call on State Members to promote and support their development. This should also be reflected in the State aid rules.

Through performance-based contracts, like energy performance contracts (EPC), energy efficiency services bring benefits that include:

- contractually guaranteed results, actual and verified energy savings/performance,



- energy management over time to keep energy performance and savings.

In regard of this benefits, energy performance projects that benefit from an energy performance guarantee should be eligible for any bonus mechanism foreseen in the State aid rules. This bonus could be granted under the form of a higher maximum intensity for the corresponding efficiency projects.

## 2. Provide a sufficient financial support for sustainable DHC

The supply of heat and cold represents around 50% of the Union's energy consumption. As stated in the Energy Sector Integration Strategy, DHC can answer local demand for decarbonised heat and cold by aggregating renewable and waste energy sources available nearby<sup>1</sup>. Besides, their thermal energy storage capacity can enhance the use of these green energies through a better balance between supply and demand.

DHC have a major role to play in the decarbonisation of heating and cooling and therefore fully justify an adapted financial framework to boost their greening and development. Recent periods have seen fossil fuel prices drop brutally whilst CO<sub>2</sub> prices are not at the appropriate level to ensure competitiveness of renewable energies and investments in efficient DHC systems. The maximum intensity for DHC should be set at a level that give Member States the possibility to adapt the degree of support needed for their development and further greening, making them attractive against other solutions that are not as efficient or virtuous, taking into account the fact that a number of positive externalities are not factored in their price. This level should allow Member States to adjust the support mechanism with the reactivity needed in a context of rapidly changing energy prices.

***"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?"***

It is difficult to formulate an answer at this stage as the screening criteria are still under discussion and have not yet been tested. Taxonomy is designed to help the financial sector to steer investments towards climate-friendly projects. Although Taxonomy provides an additional instrument to public agents in charge of managing State Aid, they are high level specialists who already have the most appropriate tools to select relevant projects in order to implement EU policies.

We believe that State Aid rules should be aligned with the EU policies. Thus, actions that contribute to the GHG reduction, whether through energy consumption reduction, or through the development of renewable energies, should generally benefit from the appropriate support.

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<sup>1</sup> In France, EnR&R represent 57% of the national DHC mix. Source : SNCU, *Enquête annuelle des réseaux de chaleur et de Froid*, 2019.