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| Part III.6Updated\* Supplementary information sheet for State aid granted under the Guidelines on State aid for climate, environmental protection and energy 2022 (CEEAG)[[1]](#footnote-2) Chapter 4.10 – Aid to district heating and cooling  \* not yet formally adopted |

*This supplementary information sheet must be used for the notification of any aid covered by the Guidelines on State aid for climate, environmental protection and energy 2022 (hereinafter the “CEEAG”).*

*This supplementary information sheet concerns measures covered in Chapter 4.10 of the CEEAG. If the notification includes measures that are covered by more than one chapter of the CEEAG, please once available also fill in the respective supplementary information sheet that concerns the respective chapter of the CEEAG.*

*All documents provided by Member States as annexes to this supplementary information sheet must be numbered and document numbers must be indicated in the relevant sections of this supplementary information sheet.*

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| **Section A: Summary of the main characteristics of the notified measure(s)** |

1. **Background and objective(s) of the notified measure(s).**
2. If not already discussed under section 5.2 of the General Information Form (Part. I), please provide the background and the main objective, including any Union targets for reduction and removal of greenhouse gas emissions that the measure is intended to support.

ii. Please indicate any other objectives pursued by the measure. For any objectives that are not purely environmental, please explain whether they may result in any distortions to the internal market.

1. **Entry into force and duration:**
2. To the extent not already provided under section 5.5 of the General Information Form (Part I), please indicate the date as of which the aid scheme is planned to enter into force;

1. Please indicate the duration of the scheme.[[2]](#footnote-3)

1. **Beneficiary(ies)**
2. If not already provided under section 3 of the General Information Form (Part I), please describe the (potential) beneficiary(ies) of the measure(s).

1. Please indicate the location of the (potential) beneficiary(ies) (i.e. if only economic entities located in the respective Member States or also in other Member States are eligible to participate in the measure).

1. In order to assess the compliance with point 15 of the CEEAG, please specify if aid is granted under the measure(s) in favour of an undertaking (individual or part of a scheme) that is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market.

In the affirmative, please provide information on the amount of aid still to be recovered so that the Commission takes account of it in the assessment of the aid measure(s).

1. Please confirm that the measure(s) does not involve aid to activities falling outside the scope of application of the CEEAG (see point 13 of the CEEAG). Otherwise, please provide details.

1. **Budget and financing of the measure(s)**.
2. If not already mentioned in the table under section 7.1 of the General Information Form (Part I), please provide the yearly and/or total budget for the whole duration of the measure(s); if the total budget is not known (for instance because it depends on the results of tenders), please indicate an estimated budget, including the assumptions used to calculate the respective estimated budget.[[3]](#footnote-4)

1. If the measure is financed through a levy, please clarify if:
   1. the levy is set by law or any other legislative act; in the affirmative, please provide the legal act, number and date when adopted and entered into force, the internet link to the legal act;

* 1. the levy is imposed equally on domestic and imported products;

* 1. the notified measure will benefit equally domestic and imported producers;

* 1. the levy finances fully the measure or only partly. If the levy finances only partly the measure, indicate the other sources of financing of the measure and their respective proportion;

* 1. the levy financing the notified measure also finances other aid measures. If so, indicate the other aid measures financed by the concerned levy.

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| **Section B: Compatibility assessment of the aid** |

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| *Positive condition: the aid must facilitate the development of an economic activity* |

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| Contribution to the development of an economic activity |

*To provide the information in this section, please refer to section 3.1.1 (points 23-25) and sections 4.10.1 and 4.10.2 (points 383-390) of the CEEAG.*

1. Article 107(3)(c) Treaty on the Functioning of the European Union (TFEU)provides that the Commission may declare compatible ‘aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest’. Therefore, compatible aid under that provision of the TFEU must contribute to the development of certain economic activity.

In order to assess the compliance with point 23 of the CEEAG, please identify the economic activities that will be facilitated as a result of the aid and how the development of those activities is supported.

1. In order to assess the compliance with point 25 of the CEEAG, please “*describe if and how the aid will contribute to the achievement of objectives of Union climate policy, environmental policy and energy policy and more specifically, the expected benefits of the aid in terms of its material contribution to environmental protection, including climate change mitigation, or the efficient functioning of the internal energy market*”.

1. In addition, please highlight to what extent the aid relates to policies described under points 383 and 384 CEEAG. By doing so, please also clarify whether the project promotes renewable energy in line with Article 2(1) of Directive 2018/2001/EU. Specifically, please confirm whether the measure develops efficient district heating and cooling systems within the meaning of Article 26 of Directive 2023/1791/EU to promote heating and cooling from renewable energy sources.

1. Points 385 and 386 of the CEEAG provide that support that is limited to district heating distribution networks can, under certain circumstances, be considered to fall outside of State aid control.
   1. Does the measure support district heating distribution networks which will be subject to third party access, unbundling (i.e. separation between generation and distribution of heating/cooling) and regulated tariffs?
   2. If the answer to point a) is Yes, please explain if the distribution network will be run under a legal and/or natural monopoly, with reference to the criteria laid down in points 374 and 375 of the CEEAG.

1. Please provide information on the scope and supported activities of the aid measure(s), as provided in section 4.10.2. (points 388-389) of the CEEAG. By doing so, please also:
2. Explain why the project falls within the definition of district heating/cooling under point 19(27) of the CEEAG and within the definition of district heating and/or a district cooling system under point 19(28) of the CEEAG.
3. Explain if the project supports the construction, upgrade or operation of:

* a generation unit, and/or
* a storage plant and/or
* a distribution network.

1. If the support is about a generation unit, explain which resources this generation unit uses to produce electricity, district heating or cooling: renewable energy, waste heat or highly efficient cogeneration including thermal storage solution.
2. If the support is about a generation unit using waste, confirm that the support is limited to either waste that meets the definition of renewable energy sources or waste used to fuel installations that meet the definition of high-efficiency cogeneration.
3. Where aid is granted for the upgrade of a district heating and cooling system, clarify if the district heating and cooling system meets the standard of efficient district heating and cooling in line with Article 2(46) and Article 26 of Directive 2023/1791/EU.
4. Specify what type of costs will be supported by the measure: investment and/or operating costs.

1. If the aid aims at supporting the upgrade of a district heating and cooling system which however does not lead to system meeting the standard of efficient district heating and cooling within the meaning of Article 26 of Directive 2023/1791/EU as a result of the upgrade supported, please provide a commitment that the beneficiary will start the works to reach that efficiency standard within 3 years following the upgrade works pursuant to point 390 of the CEEAG.

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| Incentive effect |

*To provide the information in this section, please refer to section 3.1.2 (points 26-32) of the CEEAG.*

1. Aid can be considered as facilitating an economic activity only if it has an incentive effect. In order to assess the compliance with point 26 of the CEEAG, please explain how the measure(s) “*induces the beneficiary to change its behaviour, to engage in additional economic activity or in more environmentally-friendly economic activity, which it would not carry out without the aid or would carry out in a restricted or different manner”.*

1. In order to assess the compliance with point 27 of the CEEAG, please provide information to confirm that the aid does not support the costs of an activity that the aid beneficiary would anyhow carry out and does not compensate for the normal business risk of an economic activity[[4]](#footnote-5)*.*

1. Please provide a comprehensive description of the factual scenario and the likely counterfactual scenario(s). In case of schemes covering different reference projects[[5]](#footnote-6), such description needs to be submitted for each reference project. For the construction, upgrade and operation of distribution networks, the counterfactual scenario is presumed to be the situation in which the project would not take place (point 395 of the CEEAG).

1. As provided in point 28, footnote 39 of the CEEAG, please attach to this supplementary information sheet any official board documents, risk assessments, financial report, internal business plans, expert opinions and other studies related to the project under assessment, documents containing information on demand forecasts, costs forecasts, financial forecasts, documents submitted to an investment committee and that elaborate on investment/operation scenarios, or documents provided to the financial institutions.

Please note that those documents need to be contemporary to the decision making process concerning the investment/operation decision.

If such documents are attached to the supplementary information sheet, please provide below a list of those documents, specifying the author, the date when they were drafted and the context when they were used.

1. Please provide in an Annex to this supplementary information sheet (using an Excel file where all formulas are visible) a quantification, for the factual scenario and a credible counterfactual scenario as described under point i., of all main costs and revenues, the estimated weighted average cost of capital (WACC) of the beneficiaries to discount future cash flows, as well as the net present value (NPV) for the factual and counterfactual scenarios, over the lifetime of the project. For cases of individual aid and schemes benefitting a particularly limited number of beneficiaries, those calculations and projections need to be presented at the level of the detailed project business plan, and for aid schemes on the basis of one or more reference projects.
2. Please include in an Annex to this supplementary information sheet detailed information on the assumptions, methodologies, rationale and underlying sources thereof, used for each aspect of the quantification of costs and revenues in the factual scenario and the likely counterfactual scenario(s) (for instance please include the assumptions used to develop those scenarios).

1. In order to demonstrate the compliance with points 29 and 31 of the CEEAG:
2. Please confirm that the start of works on the project or activity did not take place prior to a written aid application by the beneficiary to the national authorities;

OR

1. For projects that started before the aid application, please demonstrate that the project falls within one of the exceptional cases provided in point 31 of the CEEAG ((a), (b) or (c))[[6]](#footnote-7).

1. In order to demonstrate compliance with point 30 of the CEEAG, please confirm that the aid application includes at least the applicant’s name, a description of the project or activity, including its location, and the amount of aid needed to carry it out.

1. In order to demonstrate compliance with point 32 of the CEEAG, please indicate if there are Union standards[[7]](#footnote-8) applicable to the notified measure(s), mandatory national standards that are more stringent or ambitious than the corresponding Union standards, or mandatory national standards adopted in the absence of Union standards. In that context, please provide information to demonstrate the incentive effect.

1. In cases where the relevant Union standard has already been adopted but is not yet in force, please demonstrate that the aid has an incentive effect because it incentivises the investment to be implemented and finalised at least 18 months before the standard enters into force.

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| No breach of any relevant provision of Union law |

*To provide the information in this section, please refer to section 3.1.3 (point 33) of the CEEAG.*

1. Please provide information to confirm the compliance with the relevant provisions of EU law, in line with point 33 of the CEEAG.

1. If a levy is used to finance the measure(s), please clarify if the assessment of compliance with Article 30 and 110 TFEU needs to be carried out. In the affirmative, please demonstrate how the measure complies with the provisions of Article 30 and 110 TFEU.In this context, the information submitted under question 5.ii above, where the notified measure(s) is financed through a levy can be referred to.

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| *Negative condition: the aid cannot unduly affect trading conditions to an extent contrary to the common interest* |

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| *Minimisation of distortions of competition and trade* |

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| Necessity and appropriateness for State aid intervention |

*To provide the information in this section, please refer to section 4.10.3 (points 391-393 of the CEEAG.*

1. Please explain in detail how the project will contribute to the creation, extension or upgrade of efficient district heating and cooling systems.

1. If the measure exceptionally covers operating costs, please demonstrate that these costs cannot be passed on to district heating/cooling consumers without undermining environmental protection in line with point 392 of the CEEAG. Please show that the supported district heating/cooling systems increase energy efficiency, reduce CO2 emissions and other pollution sources as well as network losses, in comparison to alternative district heating/cooling solutions.
2. In line with point 393 of the CEEAG, if the project is based on waste as input fuel, please explain how it respects the waste hierarchy principle (Article 4 point (1) of Directive 2008/98/EU).

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| The proportionality of the aid |

*To provide the information in this section, please refer to section 3.2.1.3 and section 4.10.4 (points 394 and 395) of the CEEAG.*

1. In order to verify the compliance with point 51 of the CEEAG, please provide the following:
2. In order to determine the funding gap[[8]](#footnote-9), please submit a quantification, for the factual scenario and a credible counterfactual scenario[[9]](#footnote-10), of:
   1. all main costs and revenues of the project;
   2. the estimated weighted average cost of capital (WACC) of the beneficiaries to discount future cash flows;
   3. net present value (NPV) for the factual and counterfactual scenarios, over the lifetime of the project.

1. The reasons for the assumptions used for each aspect of the quantification, and explain and justify any methodologies applied.

For cases of individual aid and schemes benefitting a particularly limited number of beneficiaries, the Member State needs to present the supporting evidence at the level of the detailed project business plan.

For cases of aid schemes, the Member State needs to present the supporting evidence on the basis of one or more reference projects.

1. In case an alternative project is absent, in order to allow the Commission to verify that the aid amount does not exceed the minimum necessary for the aided project to be sufficiently profitable[[10]](#footnote-11), please provide the following information:
   1. The internal rate of return (IRR) corresponding to the sector or firm specific benchmark or hurdle rate; or
   2. The normal rates of return required by the beneficiary in other investment projects of a similar kind, its cost of capital as a whole; or
   3. The returns commonly observed in the industry concerned; or
   4. Any other information justifying that the aid amount does not exceed the minimum necessary for the aided project to be sufficiently profitable.

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| Cumulation |

*To provide the information in this section, please refer to points 56-57 of the CEEAG*.

1. In order to verify compliance with point 56 of the CEEAG, please clarify if the aid under the notified measure(s) may be awarded concurrently under several aid schemes or cumulated with ad hoc or *de minimis* aid in relation to the same eligible costs. If that is the case, please provide details on those aid schemes, ad hoc aid or *de minimis* aid and how the aid will be cumulated.

1. If point 56 of the CEEAG is applicable to the notified aid measure(s), please justify how the total amount of aid granted under the notified measure(s) for a project or an activity does not lead to overcompensation or exceed the maximum aid amount allowed under point 394 of the CEEAG. Please specify, for each measure, that the aid granted under the notified aid measure(s) can be cumulated, the method used for ensuring compliance with the conditions set out in point 56 of the CEEAG.

1. In case point 57 of the CEEAG is applicable, i.e. the aid granted under the notified measure(s) is combined with centrally managed Union funding[[11]](#footnote-12), please justify how the total amount of public funding granted in relation to the same eligible costs does not lead to overcompensation

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| Transparency |

*To provide the information in this section, please refer to section 3.2.1.4 (points 58-61) of the CEEAG.*

1. Please confirm that the Member State will comply with the requirements on transparency provided in points 58-61 of the CEEAG.

1. Please provide the internet link where the full text of the approved aid scheme or the individual aid granting decision and its implementing provisions, and information on each individual aid award granted ad hoc or under an aid scheme approved on the basis of the CEEAG and exceeding EUR 100 000 will be published.

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| *2.2. Avoidance of undue negative effects of the aid on competition and trade and balancing* |

*To provide the information in this section, please refer to section 4.10.5 (points 396-398) of the CEEAG.*

1. If the district heating and cooling systems rely on most polluting fossil fuels such as coal, lignite, oil and diesel, please explain whether the following cumulative conditions are fulfilled pursuant to point 396 of the CEEAG:
   * 1. The aid is limited to investments on the distribution network.

* + 1. The distribution network already enables the transport of heat and cooling generated from renewable energy sources, waste heat or carbon neutral sources.

* + 1. The aid does not result in increased generation of energy from the most polluting fossil fuels (for example by connecting additional customers).

* + 1. There is a clear timeline involving firm commitments for transitioning away from the most polluting fossil fuels in view of the Union’s 2030 climate target and the 2050 climate neutrality target (see example in the footnote 156 of the CEEAG).

1. If the project incentivises new investments in natural gas or operation of energy generation assets based on natural gas, please explain whether the project ensures the following, in line with point 397 of the CEEAG :
2. the contribution of the aid to achieving the Union’s 2030 climate target and 2050 climate neutrality target;
3. how a lock-in effect of the gas-fired energy generation will be avoided;
4. how the aid does not displace investments into cleaner alternatives that are already available on the market, and does not impede the development of cleaner technologies and their use.

1. In order to verify compliance with point 398 of the CEEAG, please clarify whether the district heating and cooling system is open to third party access and whether using sustainable alternative heating solutions would be possible.

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| 1. ***Evaluation*** |

*To provide the information in this section, please refer to point 76(a) and Chapter 5 (points 455-463) of the CEEAG.*

1. If the notified measure(s) exceed the budget/expenditure thresholds in point 456 of the CEEAG, please either explain why in your view the exception in point 457 of the CEEAG should apply, or attach to this supplementary information sheet an Annex that includes a draft evaluation plan covering the scope mentioned in point 458 of the CEEAG.[[12]](#footnote-13)

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1. If a draft evaluation plan is provided, please:
2. provide below a summary of that draft evaluation plan included in the Annex.

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1. confirm that point 460 of the CEEAG will be respected.

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1. provide the date and internet link where the evaluation plan will be publicly available.

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1. In order to verify the compliance with point 459(b) of the CEEAG, in case the aid scheme is not currently subject to an *ex post* evaluation, and its duration exceeds three years, please confirm that you will notify a draft evaluation plan within 30 working days following a significant modification increasing the budget of the scheme to over EUR 150 million in any given year or EUR 750 million over the total duration of the scheme.

1. In order to verify the compliance with point 459(c) of the CEEAG, in case the aid scheme is not currently subject to an *ex post* evaluation, please provide below a commitment that the Member State will notify a draft evaluation plan within 30 working days after recording in official accounts expenditures in excess of EUR 150 million in the previous year.

1. In order to verify the compliance with point 461 of the CEEAG:
2. Please clarify if the independent expert has already been selected or it will be selected in the future.

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1. Please provide information on the selection procedure of the expert.

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1. Please justify how the expert is independent from the granting authority.

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1. In order to verify the compliance with point 461 of the CEEAG:
2. Please provide your proposed deadlines for the submission of the interim and final evaluation report. Please note that final evaluation report must be submitted to the Commission in due time to allow for the assessment of the possible prolongation of the aid scheme and at the latest 9 months before its expiry, in line with point 463 of the CEEAG. Please note that that deadline could be reduced for schemes triggering the evaluation requirement in their last 2 years of implementation.

1. Please confirm that the interim and final evaluation report will be made public. Please provide the date and internet link where those reports will be publicly available.

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| 1. ***Reporting and monitoring*** |

*To provide the information in this section, please refer to Section 6 (points 464-465) of the CEEAG.*

1. Please confirm that the Member State will comply with the requirements for reporting and monitoring provided in Section 6, points 464 and 465, of the CEEAG.

1. OJ C 80, 18.2.2022, p.1. [↑](#footnote-ref-2)
2. Please note that for an aid scheme, the duration is the period during which aid may be applied for and decided upon (including thus the time needed for the national authorities to approve the aid applications). The duration referred to under this question does not relate to the duration of the contracts concluded under the aid scheme, which may continue beyond the duration of the measure. [↑](#footnote-ref-3)
3. Please that a change to the actual or estimated budget may be an alteration of aid, requiring a new notification. [↑](#footnote-ref-4)
4. [↑](#footnote-ref-5)
5. [↑](#footnote-ref-6)
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   e CEEAG provides that*“In certain exceptional cases, aid can have an incentive effect even for projects which started before the aid application. In particular, aid is considered to have an incentive effect in the following situations:*

   *the aid is granted automatically in accordance with objective and non-discriminatory criteria and without further exercise of discretion by the Member State, and the measure has been adopted and is in force before work on the aided project or activity has started, except in the case of fiscal successor schemes, where the activity was already covered by the previous schemes in the form of tax advantages;*

   *the national authorities have published, before the start of works, a notice of their intention to establish the proposed aid measure, conditional upon the Commission’s approval of the measure as required by Article 108(3) of the Treaty. That notice must be made available on a public website or other publicly accessible media with comparably broad and easy access and clearly state the type of projects that the Member State proposes to be eligible and the point in time from which the Member State intends to consider such projects eligible. The proposed eligibility must not be unduly limited. The beneficiary must have informed the granting authority prior to the start of works that the proposed aid measure was considered as a condition for the investment decisions taken. Where it relies upon such a notice to demonstrate an incentive effect, the Member State must provide, as part of its State aid notification, a copy of the notice and a link to the website on which it was published or respective proof of its availability to the public;*

   *operating aid granted to existing installations for environmentally-friendly production where there is no ‘start of works’ because there is no significant new investment. In these cases, the incentive effect can be demonstrated by a change to operate the installation in an environmentally-friendly way rather than an alternative cheaper mode of operation that is less environmentally friendly.”* [↑](#footnote-ref-7)
7. According to point 19(89) of the CEEAG, ‘Union standard’ means:

   *a mandatory Union standard setting the levels to be attained in environmental terms by individual undertakings, excluding standards or targets set at Union level which are binding for Member States but not for individual undertakings;*

   *the obligation to use the best available techniques (BAT), as defined in Directive 2010/75/EU, and to ensure that emission levels do not exceed those that would be achieved when applying BAT; where emission levels associated with the BAT have been defined in implementing acts adopted under Directive 2010/75/EU or under other applicable directives, those levels will be applicable for the purpose of these guidelines; where those levels are expressed as a range, the limit for which the BAT is first achieved for the undertaking concerned will be applicable.* [↑](#footnote-ref-8)
8. Point 51 of the CEEAG provides that the *“typical net extra cost can be estimated as the difference between the NPV for the factual scenario and for the counterfactual scenario over the lifetime of the reference project.”* [↑](#footnote-ref-9)
9. Please note that, according to footnote 45 of the CEEAG, a *“counterfactual that proposes as alternative investment/operation scenario a continuation in the long term of current non-environmentally sustainable activities will not be considered realistic”*. [↑](#footnote-ref-10)
10. According to footnote 46 of the CEEAG, please note that *“all relevant expected costs and benefits must be considered over the lifetime of the project”.* [↑](#footnote-ref-11)
11. Centrally managed union funding is Union funding centrally managed by the institutions, agencies, joint undertakings or other bodies of the European Union that is not directly or indirectly under the control of the Member State. [↑](#footnote-ref-12)
12. The template for the supplementary information sheet for the notification of an evaluation plan (Part III.8) is accessible here: <https://competition-policy.ec.europa.eu/state-aid/legislation/forms-notifications-and-reporting_en#evaluation-plan> [↑](#footnote-ref-13)