

## **Revision of the Communication on important projects of common European interest (IPCEIs)**

### **Enel Group comments on the revised IPCEIs Communication**

The Important Projects of Common European Interest Communication (IPCEIs), introduced in 2014, falls into State aid rules under the legal bases Art. 107(3)(b) TFEU and plays an important role offering to the Member States and companies the opportunity to fund environmental, energy and transport large-scale projects that provide significant benefits to the EU and its customers.

We, as Enel Group, welcome the opportunity to provide feedback based on our gathered IPCEIs experiences, in order to improve the future revised IPCEIs Communication in line with the achievement of common European objectives, in particular the European Green Deal, the Digital Strategy, the New Industrial Strategy for Europe and Next Generation EU towards a climate-neutral Europe by 2050.

Moreover, the fact that IPCEIs are projects that entail significant risks and require joint, well-coordinated efforts and transnational investments by public authorities and industries, we believe in the potential that those projects could play in transport sector, mainly E-mobility such as E-buses and in the hydrogen production from renewables with electrolyzer. Furthermore, we think that taking into account the evolution of new technologies and new sectors that can contribute to achieve the carbon neutrality, the IPCEI projects should not be selected and limited to the six industrial strategic sectors identified by the European Commission in 2018.

Therefore, as far as the revision of the IPCEI Communication is concerned, we encourage the following improvements starting from the determination of whether or not a project is in the Common European interest.

### **3.2 Common European interest**

#### **3.2.1 General cumulative criteria**

- (16) It is not clear enough what does "project is designed to overcome important market or systematic failures" mean in this new provision since the project could need aid due to severe systemic or market failures, but it does not solve in itself serious systemic or market failures.
- (17) The limitation of at least four Member States constitutes a condition for projects such as a Gigafactory manufacturing, for which could become difficult to comply with, despite the provision, "unless a smaller number is justified by the nature of the project". This new limitation leaves open a risk of interpretation. For this reason, we think the previous approach of the Commission should be maintained such as "The project must normally involve more than one Member State".

#### **· (22)f) EU Taxonomy provision and Do not significantly harm**

We think that EU Taxonomy performs two main functions that could indirectly help the definition of positive environmental benefits.

The first one is to provide a general framework for the development of an EU-wide classification system for environmentally sustainable economic activities, while the second one is to create a

framework that sets out the criteria to be fulfilled to define a product or activity as environmentally sustainable.

Therefore, the aid framework could reflect the EU Taxonomy, which provides harmonised criteria determining which economic activities can be considered environmentally sustainable, based on these four requirements:

- 1) Contribute substantially to at least one of the six environmental objectives (Climate change mitigation; Climate change adaptation; Sustainable use and protection of water and marine resources; Transition to a circular economy; Pollution prevention and control; Protection and restoration of biodiversity and ecosystems)
- 2) Do not significantly harm any of the six environmental objectives
- 3) Complies with technical screening criteria
- 4) Social Rights and principles must be observed

In conclusion, we welcome an overall design of these sustainable provisions, which should be robust and shortly finalized before applying for public sectors in order to guarantee a coherent achievement of the EGD objectives, the 2030 Climate targets and to pave the way for 2050 Climate Neutrality.

### 3.2.3. Specific criteria

The points 23, 24, 25 and 26 of the revised Communication on “*Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest*” lay down the specific eligibility criteria for the IPCEI. We welcome the new classification, even if some more clarifications are needed:

- Point 23, **R&D&I projects**: a major innovative nature or constitute an important added value in terms of RDI
- Point 24, **First Industrial deployment projects (FIDP)**: the development of a new product or service with high research and innovation content and/or the deployment of a fundamentally innovative production process
- Point 25, regarding the meaning of **First Industrial deployment** the following point “but neither mass production nor commercial activities” should be clarified – in particular in relation to point 26 - since there are situations, especially with regard to hydrogen that, although we are talking about projects of first industrial application, a sale of the product and therefore a commercial activity is still expected. Therefore, the project must include a commercial part (not limited to what is indicated in note 22) which would contribute at reducing the funding gap required for the loan. Conversely, currently a hydrogen FID should have CAPEX and OPEX reimbursed at 100% thus creating a paradoxical situation of producing and giving away hydrogen since it would not be possible to store indefinitely.
- Point 26, **Environmental, energy and transport, health or digital projects**: Great importance for/significant contribution to both environment and energy, including security of energy supply, or transportation strategy of the Union. We support the European Commission scope for the application of the IPCEI and we welcome the broadening version of **Environmental, Energy and Transport health or digital projects** (point 26) since it provides more visibility and clarity about the role and the relevance that these sectors actually deserve, particularly in light of the European Green Deal ambitions, also in terms of objectives and eligibility criteria.
- **The IPCEI Hydrogen initiative** should refer to hydrogen from renewable energy sources since we consider that only this is the technology as the key long-term sustainable solution to achieve climate neutrality by 2050. Moreover, public funding and EU funds should be prioritized to develop green hydrogen technologies before low-carbon hydrogen. As part of IPCEI assessment, the EC should take into account to what extent the individual projects contribute to the EU decarbonisation priorities and support the phasing out of environmentally harmful subsidies.

### 3.3. Importance of the project

Since the potential IPCEIs are continuously evolving, their qualification and selection should not be limited to the six strategic industrial sectors.

Some concrete example of the issue described above is also reflected in projects such as the innovative PV panels manufacturing plant in Catania. We strongly consider that if EU is committed in the effort of keeping in Europe photovoltaic panel production plants characterized by high level of efficiency and innovation, then project like our should be submitted and developed under the revised IPCEI, boosting its strategic significance for the EU industrial sectors and for the achievement of EGD objectives.

At the same time, we think that using IPCEI instrument to develop an initiative to develop E-mobility for Europe, including e-buses, also promoted by the CEO Alliance is welcome.

The deployment of an **E-buses Joint Project** would trigger effects in improving the technology, creating spillover effects in automotive, batteries, HPC charging points, vehicle to grid infrastructure and other uses of e-mobility. It would also have impact in related sectors. For instance grid operators could plan investments in electric grids to accompany this transformation. An E-buses IPCEI would facilitate the reconversion and competitiveness of the automotive sector, vital for Europe, which needs a transformation both in the large companies and in SMEs. Furthermore, an IPCEI project with this ambition would contribute to several established objectives within the Green Deal Agenda, such as penetration of zero carbon mobility, reduction of emissions and air quality improvement. In general, to enhance quality of life and more sustainable cities. In a nutshell IPCEI support to this initiative would have a boosting effect across different industries while effectively contributing to a strong reduction of CO2 emission in the EU area. Moreover it would somehow be an approach similar to the one that China took some years ago to foster simultaneously internal electric buses demand and offer that allowed Chinese e-bus industry to grow fast and lead the development of such technology worldwide.

Since the ambitious project will be possible only with a common effort from different countries and companies, we will welcome the recognition as an IPCEI for “e-buses for Europe”.

Since this ambitious project will be possible only with a common effort from different countries and companies, therefore we will welcome the recognition as an IPCEI.

### 4. Compatibility criteria

The revised draft Communication describes also criteria to determine the necessity and proportionality of the aid, to prevent undue distortions of competition and to ensure sufficient transparency.

As to the proportionality of aid, we agree on the funding gap approach. It is due to the fact that the maximum aid intensity of a State support measure may not exceed the funding gap ratio, which will be calculated as the funding gap divided by the net present value of the eligibility costs in relation to the eligible investment costs

- (32) This article, compared to the previous version, introduces the request to provide the beneficiary internal documents regarding the counterfactual; this should be in line with confidentiality rules for the beneficiary.

### Annex Eligible criteria

Concerning Annex I, we consider that it is improved as it specifies that the expenses related to CAPEX and OPEX will be paid for the entire duration of the project (which was unclear and not specified in the previous version)

### Governance and Coordination

Thank to our positive experience on IPCEI Batteries I, approved last December 2019, we suggest the following improvements related to Governance and Coordination to be addressed:

- **Governance:** It results unclear the role of the organizers. The issue at stake is particularly important since the organizers are the ones that manage the timing and set up the targets to pursue
- **Coordinators:** the role of the coordinators should be improved. There is the need for further clarification in the decision making. Such situation could be improved through the introduction of super *partes* figures

Finally, we welcome that the Recovery and Resilience Facility can also be used by Member States to finance IPCEI initiatives to boot a decarbonized competitive Europe.