



Finnish Industries' response: consultation on the draft revised EU ETS State aid guidelines

Ref. HT.582, Directorate-General for Competition, Unit B3

Confederation of Finnish Industries EK represents widely the private sector and companies of all sizes in Finland: 25 member federations and 16000 member companies, 96 % of which are SMEs.

Confederation of Finnish Industries EK appreciates a possibility to deliver views of Finnish businesses for revision of the EU ETS state aid guidelines post-2021.

The climate change is a huge global challenge in every level of societies. Finnish Industries strongly support the Paris agreement and 1.5-degree policies and are fully committed to the implementation of necessary measures to mitigate climate change. Enterprises are in the core of this long-lasting combat by innovating, investing and offering solutions globally.

Finnish Industries have supported the climate neutrality target of 2050 for the EU, and the Emissions trading scheme EU ETS as an effective tool to reduce GHG emissions in energy production and industry. To minimize a risk of carbon leakage and to take care of competitiveness, measures within the ETS (free allocation, indirect compensation) are essential to preserve as long as there are no equal carbon pricing schemes among major trading partners outside Europe.

Only profitable companies can invest on climate neutrality and survive through energy transition. Electrification is a key to decarbonisation, and then the total cost of the electricity has a major and increasing role.

Finnish Industries' view on different elements in the draft revised guidelines

There is no reason to limit compensation with **aid intensity**, when there is no level playing field in the international competition and a risk of carbon leakage stays. Aid intensity should be 100 %.

A list of eligible sectors has been created with different factors than the current one. This process hasn't been transparent enough. It is difficult to understand why some important electro-intensive sectors or sub-sectors have been dropped from the current list. It is good that there is possibility to supplement the list by qualitative assessment. In addition to this, there is need to have some electro-intensive sub-sectors into the list of eligible sectors.

The CO₂ emission factors should reflect the real marginal pricing and regions mentioned should follow the real market areas, like Nord pool in Nordic countries. In the draft the Nordic-region includes only Finland and Sweden. The



region should be the same than in the current guidelines: Finland, Sweden, Norway and Denmark.

More and more sectors and companies will be electro-intensive

Companies are in the middle of the energy transition. They change their processes from using fossil fuels to electrification and in the same time they face tough international competition. Because of this on-going transition, there will be an increasing number of electro-intensive sectors and companies during the next phase of the EU ETS. EU energy and climate legislation and guidance should focus on helping companies through this transition.

Member states should be strongly encouraged to continue present and create new national compensation schemes. Low carbon electricity is increasingly needed, and the cost must be tolerant. If costs are higher in Europe than outside, it will slow down decarbonisation. That's why such mechanisms like free allocation and indirect emission cost compensation schemes are essential also during next phases of the EU ETS.