

European Commission  
Directorate-General for Competition  
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State aid registry

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## Public consultation on draft ETS State aid Guidelines

The Confederation of Norwegian Enterprise (NHO) welcomes the opportunity to comment and to provide inputs on the draft EU ETS state aid guidelines.

The NHO is Norway's largest organisation for employers and the leading voice of business and industry in Norway. Our current membership of close to 28.000 companies ranges from small family-owned businesses to multinational companies in most sectors. The NHO is made up of 16 Sectoral Federations and 10 Regional Offices. Having expert knowledge and an extensive business network, the NHO plays an important and constructive role in Norwegian society. Our main objective is to create and sustain conditions that safeguard the competitiveness and profitability of business and industry in Norway, and thereby maintain the basis for a good standard of living, sound economic growth and sustainable development.

NHO supports the EU ambition of net-zero greenhouse gas emissions (climate neutrality) by 2050 to reach the objectives of the Paris Agreement. Studies show that a climate neutral Europe will be a much more electrified Europe, even more electrified than considered in the European Commission's long-term climate strategy.

The carbon content of Europe's domestic electricity mix will decrease over time, but due to the marginal price mechanism, and the increase of the carbon price to support the investment in new renewable electricity capacity, the energy-intensive industries will be increasingly exposed to indirect ETS costs, regardless of their renewable energy supply decisions. Hence, the indirect risk of carbon and investment leakage will grow, in addition to the leakage risk through increasing direct EU ETS costs.

Norway has been fully integrated in the ETS since 2008 and Norway upholds with good reason a scheme for compensation of indirect costs (accepted by the EFTA Surveillance Authority) which should be maintained in the next phase. As stated in the Commission's proposal: "As long as many international partners do not share the same ambition. Norwegian electro-intensive companies manufacture and develop key materials that form the building blocks of a decarbonized Europe. They compete on global markets, making them price-takers with no ability to pass additional costs on to customers without losing

market shares. Emissions are very low compared to producers from third countries since power generation and industry consumption is practically 100% renewable and CO<sub>2</sub>-free. Power prices, on the other hand, are heavily influenced by CO<sub>2</sub>-prices as Norway is physically connected to markets with thermal power that remain the marginal price setter.

Hence, NHO welcomes the opportunity to top-up aid to sectors especially exposed. This allows a targeted extra-aid to those who are most vulnerable to indirect costs, without taking anything away from others as 75% compensation remains for all eligible sectors. Although, we are worried that the limited number of sectors disincentives electrification and ability to meet climate targets.

We are puzzled by the regional price approach. The Nordic region should indeed include Norway and Denmark. The price differences between Sweden and Finland are greater than those between Sweden and Norway. Moreover, we have removed bottlenecks and built Nordic interconnectors and are building interconnectors to Germany and the UK in line with the idea of the Energy Union. This have given a less fragmented and more converged market in line with intentions and, hence, it is incorrect not to include all Nordic countries in a regional price area. If not, the regional pass through factor and, consequently, compensation will be inaccurate.

In conclusion, NHO welcomes the new state-aid rules but would like to see the rules embracing and acknowledge more sectors given raised costs, rather than fewer with a stricter regime. In addition, we urge the European Commission to reassess the methodology excluding Norway from the Nordic price area as we do not see any market fundamentals for this exclusion.

Best regards,

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