**General Appreciation**

The current framework has met the purpose of the 2014 State aid reform of better targeted aid. The inclusion of District Heating infrastructure in the guidelines as well as the updated notification threshold value for the DHC distribution network in GBER have resulted in easier access to aid for our projects. This being said, the Green Deal will call for more active policies to address market failures and support the further deployment of renewable and waste heat. Corresponding to the challenging time horizon for investments to contribute to the European 2030 targets State aid approval should be streamlined to provide faster access to aid.

**Transparency: to what extent Member States should be required to identify the contribution to environmental protection (for example based on the EU Taxonomy) and make transparent the environmental protection cost in their aid schemes in a harmonised manner**

The scope of State aid rules is much wider than the objectives of taxonomy. The screening criteria, that are necessary to implement taxonomy, are not yet approved and tested - and introduce new requirements not backed by impact assessment. Also taxonomy considers individual technologies - to provide information on the sustainability of an investment whereas the assessment of State aid cases is always focusing on projects and how they can help deliver a higher environmental protection and contribute to common EU objectives considering local/national market conditions and energy mix, which differ across Europe. The current approach of the State aid framework, based on definitions and objectives set out in the current (and soon updated) 2030 framework of policies, should be maintained to drive an ambitious energy transition, with policies adapted to local challenges and opportunities.

**Notification Threshold for DHC infrastructure**

The €20 million value set out in GBER article 4 (w) has contributed to an easier access to State aid. Consideration should be given whether the notification threshold is still set at the relevant level to allow quick and smooth deployment of modern heating and cooling infrastructure.

We believe that the value should be increased to reflect inflation since 2014 and mirror the more capital-intensive nature of the new generation of District Heating and Cooling networks. In the case of development of existing DHC networks, higher investments will be necessary as densification of networks is always more costly than early-stage deployment and focus on areas more difficult to reach with higher number of smaller customers.

**Aid to non-efficient DHC**

The approach of current Guidelines that allow investment aid for both the establishment of new Efficient DHC and the modernisation of existing systems should be continued. Article 46 GBER allows investments into systems that quality as efficient. In most cases, a series of investment may be needed to ensure that a non-efficient network becomes efficient. To allow for the modernization and greening of these systems, future rules should provide the possibility for Member States to grant State aid to those networks under GBER under the condition that the operator sets out a detailed investment plan to make the system efficient within five years.

**Operating aid for renewable heat**

Some countries have opted for a system of operating aid for renewable heat[[1]](#footnote-1). Article 43 of GBER does not cover operating aid for renewable heat, which may cause Member States to be hesitant and finally refrain from developing support schemes for this purpose. The article should mirror Guidelines 3.3.2.2 and cover renewable heat, including for District Heating and Cooling.

**CHP - Tendering (to what extent the competitive bidding requirement should be extended?)**

Competitive bidding is the format by default applying to renewables and CHP. Such a format may be appropriate for large projects (mainly wind and solar PV technologies) but is not suitable for CHP supplying both electricity and heat on local markets with operating costs that can vary greatly over the lifetime of an installation. Even in a large market such as Germany this approach failed, as there were too few participants. Reflecting the case practice, Member States should still have the possibility to deviate from competitive biddings for support that may be granted to CHP.

**CHP - operating aid for the modernization of existing plants**

Current rules provide the possibility for member states to grant operating aid for existing biomass plants after depreciation (EEAG section 3.3.3.3). Since the EEAG were published CHP plants have faced changing market conditions (increased operating costs and falling wholesale power prices). The Commission should explore conditions under which existing CHP plants can be granted aid to maintain capacity for future use in a way that avoids distortion to the power market. These plants supply efficient power and heat; coupled with DHC systems they also contribute to ensuring system stability and integrating intermittent renewable electricity.

**CHP - notification threshold**

In the light of case practice and with a view to accelerating the implementation of the Green deal the Commission should consider whether the value should be increased further (from 300 to 400 MW) with a view to providing easier access to aid for those plants, which will play a key role in both producing efficient power and heat as well as in ensuring system stability and the further intake of intermittent renewable electricity.

**System Integration**

In line with the Commission’ communication on System Integration (July 2020) and the recent case practice, future rules should cover thermal storage and power-to-heat applications. A reference could be made to the definition of energy storage, as set out in Directive on common rules for the internal market for electricity (EU) 2019/944 which cover thermal storage.

**Waste heat from industries and tertiary sector**

The use of waste heat reflects the ‘Energy Efficiency first’ principle and should be systematically prioritized over other sources when a potential source is available at local level, in line with articles 23-24 of RED and article 14 EED.

**Scope of definition of District Heating and cooling**

The scope of the current definition has proved fit for purpose to allow state aid for the modernization and development of district heating, as it covers the whole energy chain from production to customer premises and therefore provides the possibility of aid for investments into all aspects that can optimize the efficiency of a DHC system (e.g. substations, use of digitalization..). The definition should be enriched in line of new policy developments (e.g. thermal storage) and priorities, but the scope be maintained in the forthcoming revision of rules and definitions to align the future framework with the Green Deal objectives.

**Recognise CCU and negative emissions technologies:** The current EEAG do not recognise CCU technologies. We encourage the Commission to define a methodology which enables a quantification of the climate abatement potential of different CCU technologies to ensure that the future EEAG will facilitate the channelling of State aid to these technologies. The updated EEAG should reflect this wide variety of potential uses of CCS technology.

**Ensure alignment between the revised EEAG and updated gas market rules:** The forthcoming revision of EU internal gas market rules will, inter alia, establish a regulatory framework for renewable and low-carbon gases (including hydrogen). The EEAG should be in line with this framework, as State aid will be instrumental for major renewable and low-carbon gas projects and investments in the adaptation of the existing gas infrastructure, market rules and network codes to receive low-carbon gases.

**Incorporate renewable and low-carbon hydrogen energy infrastructure:** Hydrogen, or renewable and low-carbon gases (including hydrogen)in general, are not explicitly covered in any of the current sections of the EEAG. Hydrogen could potentially be considered under the generation adequacy chapters, given the vast scope of potential hydrogen applications in the energy system. However, hydrogen is not included in in the definition of energy infrastructure in part 1.3(§31). This hinders future hydrogen projects from qualifying for State aid as energy infrastructure projects. The EEAG should therefore incorporate renewable and low-carbon gases (including hydrogen) explicitly in the definition of energy infrastructure – or a separate chapter on hydrogen should be created, in line with the forthcoming gas regulatory framework.

**Assessment criteria for renewable and low-carbon gases (including hydrogen):** We are in favour of a technology neutral approach for all low-carbon technologies, as this would enable the scale-up of the most promising technologies while allowing for a balanced and cost-efficient approach to decarbonisation. Assessment criteria for low-carbon gases (including hydrogen) in the context of the EEAG should therefore be based on life-cycle assessment of GHG emission performance, enabling renewable and low-carbon hydrogen to compete on a level playing field.

**Defining positive environmental benefits:** We would like to highlight that the Taxonomy Regulation in itself does not exclude any particular activity. A list of “environmentally sustainable economic activities” will only be laid out in Delegated Acts which are not yet finalised. It is therefore highly uncertain what economic activities will be considered “Taxonomy compliant” in the future. Likewise, the “Do No Significant Harm” principle will only be defined in the context of the same Delegated Acts. Considering the legal uncertainty stemming from this, we advise against linking the State aid rules to the Taxonomy.

Setting too stringent thresholds to define environmentally sustainable economic activities could exclude relevant activities regardless of both their potential contribution to the transition and their ability to further improve their own environmental performance. Such an approach could result in excluding the most cost-effective solutions on the way to climate neutrality and, as a consequence, increase energy poverty rates. It is therefore uncertain how a linkage between the EEAG and the EU Taxonomy would impact on planned CCS projects in Europe which rely on other modes on transport than pipeline.

For the reasons outlined above, we do not support the intention to link the Taxonomy Regulation with the State aid rules at this stage. Given this significant legal uncertainty, indeed, a case-by-case assessment of all environmental benefits is an appropriate approach when allocating State aid for selected activities.

1. State Aid SA.50807 (2019/N) – Ireland Support Scheme for Renewable Heat [↑](#footnote-ref-1)