



**Public Consultation for the Revision of the Guidelines
on State aid for environmental protection and energy
2014-2020 (EEAG)**

INTRODUCTION

To achieve a climate-neutral EU by 2050 and the intermediate target of an at least 55% net reduction in greenhouse gas emissions by 2030 and a circular and zero-pollution one, the Commission is proposing to revise the EEAG (valid for 2014-2020 period) also to include regulatory changes (notably the Clean Energy Package, the Clean Mobility Package, the Circular Economy Package, and the EU Taxonomy Regulation²).

The two main buildings blocks and sub-objectives of this revision are

- i) a review of the compatibility criteria for environmental protection, as well as
- ii) an assessment of State aid to energy intensive users.

Which lead to the main objective of the revision such as:

- ✦ 1. Review of compatibility criteria for environmental protection to promote the green transition while effectively controlling distortions of trade and competition

The review should broaden the scope of the EEAG, by organising the rules around broader policy objectives, such as environmental protection (including climate neutrality and other Green Deal objectives), security of supply and the prevention of relocation risk due to energy related charges, making scope for further technological and market innovations.

This document has been created by Eurallumina Plant of Portoscuso (24.42 NACE code, alumina production plant) with the aim of illustrating its point of view on some of the main objectives part of the EEAG revision phase.

1. THE EURALLUMINA PLANT

Eurallumina Spa owns an alumina (aluminum oxide) production plant in the municipality of Portoscuso in the Province of Southern Sardinia (Sulcis), Italy. The plant was mothballed in March 2009 due to the economic crisis and high production costs, mainly related to the cost of fuel oil used for the production of steam.

The restart of production activities is scheduled for 2023. The plant will consume power from a new cogeneration plant (CHP) fueled with natural gas which will produce the thermal and electrical power required by the refinery process. No export of power to the national grid or third parties is planned.

Eurallumina's activity is included in the Carbon Leakage List as 24.42 NACE code (see final version adopted by UE Decision of 15th February 2019) which consists of the sectors and sub-sectors deemed to be exposed to a risk of carbon leakage and consequently the risk of transferring its production to other countries with lower level of environmental policies.

To be noted that, currently, the alumina production capacity in the EU is much less than the amount requested to satisfy the internal aluminium demand and a further delocalization of the alumina production will increase the dependence of this strategic sector on producers from foreign Countries.

2. COMPATIBILITY OF THE EURALUMINA PROJECT WITH STATE AID REQUIREMENTS

Once the Eurallumina plant will reactivate its operations following the construction of the new CHP plant, it will be compatible with both types of State aid provided for by the guidelines for Phase IV under review which constitute the reference (together with regulatory changes such as notably the Clean Energy Package, the Clean Mobility Package, the Circular Economy Package, and the EU Taxonomy Regulation²) for the revision of the EEAG guidelines currently referring to the period 2014-2020, this because:

- ✦ the activity of the Eurallumina plant corresponds to the NACE code 24.42, which is part of the selection of the categories of activities that are part of the Carbon Leakage List referred to in Annex I of the guidelines that can benefit from the state aid provided to offset the costs of indirect emissions.
- ✦ the new CHP plant that Eurallumina will build constitutes an innovative technology and can produce electricity and heat at high efficiency. The project represents a contribution to the modernization of the electricity sector, therefore Eurallumina could also take advantage of the aid in terms of temporary granting of free quotas for the electricity generation.
- ✦ Eurallumina is also requesting that Member States will get confirmation that the cogeneration of thermal and power energy for only in-house refinery use would not be qualified as an electricity producer.

Based on the above considerations, Eurallumina presents the following observations and points of view.

3. EURALLUMINA'S OBSERVATIONS

In light of the application to the ETS system of the Plant, Eurallumina would like therefore to draw attention to the European Commission to the following observations that may constitute ideas for improvement in the revision of the EEAGs:

- ✦ The importance of keeping provision of particular financial funds among the State aids such as indicated in the guidelines document under review for Phase IV for the categories of activities referred to NACE code 24.42 (to which the Eurallumina Plant belongs) that are affected by the phase out carbon in addition to having to offset the costs of indirect emissions.
- ✦ The importance of keeping State aid provided in favor of High Energy Efficiency Cogeneration of heat and electricity (now provided for in point 151 of the current version of the EEAG).
- ✦ The importance of clearly defining the conditions under which state aid provided in favor of high energy efficiency cogeneration of heat and electricity (now provided for in point 151 of the current version of the EEAG) may conflict and therefore be incompatible with other national or regional funding already granted or in the process of disbursement. In particular, the allowed state aid should include mainly the CHP producing power used in the plants under carbon leakage risk.

- ✦ The importance of considering what the revision of State Aid guidelines for Phase IV in the modernization of the electricity sector proposed such as receiving free quotas in the transitional phase to produce electricity. In particular, the allowed state aid should include mainly the CHP producing power used in the plants under carbon leakage risk.
- ✦ The importance of definition of which are the innovative technologies contemplated in the modernization of the electricity sector for the purpose of receiving free quotas in the transitional phase to produce electricity and whether these include the combined cycle of electricity and thermal energy production also if other activities referred to in Annex I of Directive 2003/87 are carried out in addition to the combustion of fuels. In particular, the allowed state aid should include mainly the CHP producing power used in the plants under carbon leakage risk.

4. CONCLUSION AND RECOMMENDATIONS

To achieve a climate-neutral EU by 2050 and the intermediate target of an at least 55% net reduction in greenhouse gas emissions by 2030, the Commission is proposing to revise the EEAG (valid for 2014-2020 period) also to include regulatory changes (notably the Clean Energy Package, the Clean Mobility Package, the Circular Economy Package, and the EU Taxonomy Regulation²).

This document has been created by Eurallumina S.p.A. that owns an alumina refinery in Portoscuso (24.42 NACE code, alumina production plant) to illustrate its observations on some of the main objectives part of the updating phase that may constitute ideas for improvement in the revision of the EEAG as illustrated in the previous chapter.