

ENTSOG's response to EC Consultation on State Aid for Environmental Protection and Energy – revised guidelines

The European Network of Transmission System Operators for Gas (ENTSOG) is a European Association established to enhance cooperation among gas Transmission System Operators (TSOs) at the European level. Starting in 2009, when ENTSOG was established by the Third Energy Package, it has contributed to the development and liberalisation of the EU Internal Energy Market.

ENTSOG welcomes the review of the Energy and Environmental State Aid Guidelines (EEAG), particularly in light of the increase in EU 2030 climate targets and European Green Deal. The EEAG importance as a tool for EU Member State to finance their energy transition will increase as we aim for a decarbonised energy system by 2050. **In order to achieve the most efficient and cost-effective path to meeting the EU climate goals, the revised EEAG should be technology neutral ensuring a level playing field between different energy sources and vectors.** We have set out a number of additional points below for your consideration:

- **State aid should be widened taking account of new technological and market developments contributing to the energy transition.** As has been recognised, including in the European Commission's Hydrogen and Energy System Integration strategies, renewable and low-carbon gases will play a crucial role in the energy transition and future energy system. The EEAG should be widened fully recognising these fuels and related infrastructure, including renewable and low carbon hydrogen production; alternative transport fuel, for example bio-CNG and bio-LNG, and; low emission vehicles and transport infrastructure. Biomethane, which already benefits from support in some Member States similar to support for the production of renewable electricity, is not mentioned in the consultation questionnaire as a possible area to which aid should be allowed. However, biomethane is, and will continue to play an increasingly important role in the future energy system and should have access to state aid where appropriate. ENTSOG recognises and welcomes the fact that energy storage and energy infrastructure are in the scope as they will be part of the energy transition.
- **All taxes and levies should be allocated appropriately for an efficient energy system and to avoid market distortion.** Electrification is not the only path to decarbonise the energy system. Cheaper, more efficient and quicker solutions already exist, depending on the sector, end-use or the fact some sectors cannot be electrified. In order to establish the best solution for a specific sector or end-use it is vital to maintain a level playing field between all technologies. All costs and charges should therefore be allocated appropriately for an efficient energy system and to avoid market distortion. This should be the guiding principle in response to question 134.

- **The introduction of Carbon Contracts for Difference (CCfD) can make a positive contribution towards decarbonisation but should be technology neutral.** CCfD can incentivise industries to invest in decarbonisation technologies and can be especially helpful for sectors that are facing particular challenges to decarbonise. Different sectors will take different decarbonisation pathways, through choice or necessity. Electrification will not be the only route taken, as such, CCfD should be technology neutral and eligibility should apply to a range of technologies and energy vectors.

Renewable and low carbon gas such as hydrogen and biomethane will play a crucial role for a fast and cost-effective energy transition and in the future energy system. These energy vectors and their related technologies should be able to avail of investment and operating aid through the revised guidelines, particularly during the scaling-up phase, as we have seen with other technologies, such as renewable electricity, which so effectively benefitted in the past.