

REVIEW OF THE STATE AID GUIDELINES FOR ENVIRONMENTAL PROTECTION AND ENERGY

CEMBUREAU input to Commission's Public Consultation

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CEMBUREAU, the European Cement Association (www.cembureau.eu), welcomes upcoming revision of the Guidelines on State aid for environmental protection and energy 2014-2020. The below input complements our recent contribution to the call for contributions on Competition Policy and the Green Deal, which is available [here](#).

CEMBUREAU believes that the State Aid Guidelines for Environmental Protection and Energy should be updated to support the decarbonisation of European industries and the objectives of the European Green Deal, as mentioned in the inception impact assessment.

CEMBUREAU's [Carbon Neutrality Roadmap](#), published in May 2020, identifies the key pathways to decarbonise the industry, and its key findings are as follows:

- Carbon Capture, Use and Storage (CCUS) will account for 42% of the CO₂ emissions reduction in the sector.
- The replacement of fossil fuels by non-recyclable and biomass waste, and the use of alternative raw materials, will deliver another 15% of the emissions reduction in the cement industry.
- Bringing low carbon-cements products to the market will deliver an additional 13% emissions reduction.
- These decarbonisation efforts will require a significant increase in electricity usage in our member cement factories.

In light of the above decarbonisation challenges, that are not unique to the cement industry, CEMBUREAU believes that the revision of the State Aid Guidelines for Environmental Protection and Energy is a key opportunity to:

- **Maintain and enhance CCUS aid:** the utilisation of CO₂ should also be recognised in the Guidelines, as using the CO₂ will become an important part of CCUS projects in the future. In the cement industry, a number of projects look at using CO₂, either through mineralisation (permanent capture of CO₂ through carbonation) or through the re-use of CO₂ (for instance, as synthetic fuel through the blending with hydrogen, or for chemical purposes).
- **Strengthen the aid regime for waste management** which should also recognise co-processing investments in the cement industry where non-recyclable-waste is used as both alternative fuel and raw material to replace primary fuels and raw materials (i.e. for energy recovery and material recycling). It is essential there that the use of non-recyclable waste in industrial processes is supported where it can deliver significant CO₂ emissions reduction;
- **Incentivise waste heat recovery and generation of renewable electricity** through state aid to support installation costs and preferential feed-in tariffs.
- **Continue to support the availability of low-carbon electricity at an affordable price, which is essential to decarbonise energy-intensive processes like cement.** The ability to provide aid in the form of reductions in the funding of support for energy from renewable

sources should therefore be preserved. In this context, it is essential to maintain the cement sector in Annex 3 of the Guidelines on State aid for environmental protection and energy. Furthermore, when modifying the Guidelines, appropriate attention should also be given to partial exemptions from costs related to energy transition and passed-on costs in electricity prices. This relates to both increasing market prices for electricity (e.g. due to coal and/or nuclear exit in Member States) and increasing grid charges (e.g. due to transmission system expansions and integration of renewable energies).

- **State aid mechanisms should also be available to support hydrogen use in energy-intensive industries.**
- **Maintain and enhance environmental tax exemptions.** The list of eligible sectors for Aid in the form of reductions in or exemptions from environmental taxes should not be restricted to these sectors covered by what is now Annex 1 of the recently adopted EU ETS State Aid Guidelines on indirect emission costs. Rather, sectors like cement will see electricity demand increase in line with their efforts to further reduce their carbon footprint, as utilization of alternative low-carbon raw materials or application of CCS/CCU technologies demand more electrical power input. This should be recognised and supported.

In addition to these changes, CEMBUREAU also believes that State Aid Control should support new forms of innovative funding to decarbonise industry. These benefits of providing **Carbon Contracts for Difference**, whereby a carbon price is guaranteed by public funding at a given time horizon, should be assessed as part of the upcoming revision. Such mechanisms, alike to the funding for renewable installations in the existing guidelines, would greatly remedy the existing market failures and facilitate deep CO₂ cuts in heavy industries.

Furthermore, CEMBUREAU would like to stress that the Guidelines should further facilitate industrial decarbonisation by:

- **Focusing primarily on the sectors in need of strong decarbonisation** and which are particularly hard to abate. Where a high degree of CAPEX/OPEX is needed to meet EU targets, this should be reflected in competition rules.
- **Covering not only capital expenditure but also operational costs.** The decarbonisation of energy-intensive industries will indeed result in increased operational costs, in addition to the necessary capital investments in breakthrough technologies; the de-risking of financing, including of OPEX, is very much key to see these investments happening;
- It will be important to allow **for greater aid intensity levels across the EU State Aid legislation.** As administrative barriers can be significant, appropriate levels of aid intensity will be required to incentivise investments.

Annex - CEMBUREAU proposed changes to the State Aid Guidelines on Environmental Protection and Energy

- A new chapter on “**aid for decarbonisation of energy-intensive industries**” should be included in the Guidelines and describe the framework conditions for the approval of State Aid taking the form of Carbon Contracts for Difference.
- Throughout the document, references to CCS should include “utilisation” e.g. paragraph 18(h) “aid for CO₂ capture, transport, **utilisation** and storage including individual elements of the Carbon Capture, **Utilisation and Storage** (‘CCUS’) chain”. The CCUS section should be modified accordingly. We also suggest the inclusion of a new paragraph 163: “**(163) The re-using of CO₂ in other industrial processes, such as synthetic fuels, chemicals or mineralisation of products, may offer an additional output for the capture of CO₂**”. In paragraph 165 we propose the following change: “*The aid is limited to the additional costs for capture, transport, re-use and storage of the CO₂ emitted*”.

- The chapter on waste management should be upgraded to include “co-processing”. For this purpose, we propose the addition of a new paragraph 158(d): “**(d) In the case of aid for waste management for energy recovery, using waste not only allows for the production of energy, but also contributes to the reduction of CO2 emissions from industrial processes other than those of the aid beneficiary**”. Paragraph 157 should also be amended as follows: “*State aid for the management of waste, in particular for activities aimed at the prevention, re-use, recycling **and recovery of waste**, can make a positive contribution to environmental protection, provided that it does not circumvent the principles referred to in previous paragraph*”.
- Paragraphs 132-134 of the Guidelines relating to operating aid for biomass plants should be removed.
