

Att: European Commission, DG Competition

From: Federation of Norwegian Industries

Date: 05.01.21

Cf.: **Consultation on EEAG**

Additional comments

- The Federation of Norwegian Industries fully supports the 2050 target of net zero GHG emissions and the continued expansion of renewable energy production. Indeed, electrification is the main path towards climate neutrality for many of our members. But it is paramount that industry, which is subject to international competition with no ability to pass on extra costs resulting from EU or local legislation to their customers, are protected from such additional costs. A thriving European industrial sector is essential for reducing emissions on a global basis, creating well-paid jobs in Europe, driving innovation and providing much-needed export revenues to EU.
- In order to avoid an undue increase in electricity prices, power production needs to increase at least at the same rate as electricity demand. At the same time, large investments are needed in both grid connections and energy storage. For European industry to invest and expand, increases in energy costs, network charges, taxes and levies must be avoided for industrial sectors subject to international competition (with no ability to pass on extra costs). With the right policies, we are optimistic that a larger penetration of renewable energy will drive energy costs down, but this must not be offset by an increase in grid tariffs or taxes and levies for industrial sectors mentioned. Specifically, for question 130 we assume that taxes and levies will remain constant for these sectors, while we also expect industry's proportion of grid costs to remain while total network charges to increase.
- Levies or surcharges should be charged directly on the activities or energy sources that society aims to reduce. Therefore, surcharges on electricity are meaningless in a context where this is the main path to decarbonization for many sectors. Surcharges should instead be levied directly upon fossil fuels. The same applies for environmental taxes imposed on industry, this only incentivizes carbon leakage and hampers industry's financial ability to invest in new and environmentally friendly technology. Taxes are better placed on the economy to incentivize consumers' choices.
- EU's very ambitious climate goals are only within reach if we avail ourselves of all available technologies. Renewable energy alone will not suffice given the large amounts of electricity needed to decarbonize other sectors. Thus, CCS also needs to play an important role in decarbonization, both in the production of blue hydrogen and for decarbonization of industrial processes. Energy efficiency is also essential and usually very cost effective as costs

for energy production, infrastructure and energy storage are avoided. The cheapest and most environmentally friendly energy is the energy that is not used. In the industrial sector, the largest energy efficiency potential is waste heat recovery.

- When placing any requirements or conditionality, it is important not to discriminate against early movers. These installations have already reduced their direct or indirect emissions and thus have fewer options for further emission reductions. Specifically, in countries with high RES penetration or for installations that procure physical power from RES suppliers, further reductions in indirect emissions is not possible.
- The current state aid rules were formulated in different stages and at times whereby today's policies and technologies had not matured sufficiently. Matters pertaining to e.g. CCS, hydrogen, new process technologies and off-shore wind will therefore have to be taken into account into future aid frameworks, while at the same time not excluding other technologies, either based on current BAT standards or in pipeline. It is of importance that aid can also be available to companies willing to invest in today's top-shelf technologies and not solely be dedicated to future, yet unproven ('pilot') technologies. This is central if industry shall be able to act from day one.
- Aid to top-shelf decarbonization technologies should be accurate, cost-efficient and based on objective and non-discriminatory criteria. Contracts for Difference (CfD), valued by the difference between the going EUA price and the project's strike price, awarded through government-administered auctions, appears a viable mechanism.
- Formulation of policies and rules concerning IPCEI should not be restricted by the EEAG.

Yours sincerely

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