

## **Introduction**

Aurubis welcomes the opportunity to comment on the revision of the State Aid Guidelines for Environmental Protection and Energy (EEAG).

The EEAG are a key instrument in the industrial transformation towards a climate neutral economy. The revision must support the right framework for European Energy Intensive Industry to contribute to the transition, while remaining competitive on the global scale.

Aurubis is a leading worldwide provider of non-ferrous metals. We process complex metal concentrates and diverse recycling raw materials. Aurubis is the global leader for copper recycling. We have already contributed to decreasing GHG emissions in the EU. Aurubis has decreased the direct CO<sub>2</sub> emission by 35% since 2000. The carbon footprint of Aurubis' copper cathode is half as high as the carbon footprint of global competitors.

As energy intensive industry and price taker in global competition we are facing higher production costs due to the electricity cost that our competitors do not have. Carbon leakage is already evident by rising copper production numbers in Asia and not in Europe. While European copper production did not show any significant growth, Asian copper production increased significantly: more than 5 times its output and more than doubled its market share from 27% in 1990 to 62% in 2017.

The copper industry is electro-intensive. More than 75% of the carbon dioxide emissions for Aurubis' operation are caused by electricity consumption.

Copper production is price-taker industry competing globally against metals producers outside of Europe. State Aid rules and adequate State Aid regime are imperative to create an even framework for EU industry to compete on a level playing field with the global competition.

No transition will be achieved without a strong industrial base in Europe. Copper is strategic material for the low carbon transition and plays a vital role in most decarbonisation solutions. EU copper production has world-leading environmental performance. Copper sector is one of Europe's most electrified industries, and a leading example of circular economy in action. Demand for copper will increase. However, without a level playing field, this increased demand could be met with increased imports from regions (particularly China) which have a much higher CO<sub>2</sub> footprint and less stringent climate regulations in place.

The challenges for our industry are related to the availability and access to climate-neutral energy (mainly electricity) at globally competitive prices. The transition will require enormous investments to develop, upscale and implement new or existing decarbonization technologies. These investment costs cannot be born solely by the energy intensive industries and must be limited, given the high level of global competition. A revised state aid framework is extremely important to provide non-ferrous metals producers with the much-needed financial support and long-term regulatory certainty.

## **Summary of position and recommendations**

### **Safeguard the global competitiveness of energy intensive industry against costs caused by the higher climate ambition**

- Competitiveness of copper industry is influenced by the fact that the sector is capital-, resource- and energy intensive. The price of electricity has significant influence on the profitability of copper producing companies. The energy cost, mainly electricity represents up to 30% of operating (production) costs. The sector is susceptible to high energy (especially electricity) prices and related EU energy policies. Specifically, the EEAG and Guidelines for compensation of indirect costs of EU ETS are key to support the deployment of renewables while safeguarding the competitiveness of electro-intensive industry.
- The new Guidelines should not only address internal-market distortion, but also distortion on international markets and the need for a level playing field between EU industry and global competitors. Currently, climate policies in other regions do not follow the same ambition level as the EU. Therefore, European industry can only achieve the needed investment levels for climate neutrality with a guarantee of reasonable profitability, and consequently comparable costs to those incurred by competitors in third countries.
- In view of the higher European Green Deal ambition, the new EEAG rules should ensure global competitiveness of EU industry. It shall protect the competitiveness by alleviating regulatory costs that are not borne by competing industries worldwide. Such costs would otherwise hamper European industry's ability to invest in green technologies and will increase carbon leakage.

**Maintain and strengthen current provisions allowing reduction in or exemption from renewables support for energy intensive users**

- Our industry benefits from the provisions in sections 3.7.1 and 3.7.2 allowing for reduction or exemptions from environmental taxes or renewable energy charges. The EEAG have, so far, achieved their objectives of facilitating the deployment of renewables, while protecting industries' competitiveness. The reductions in RES surcharges for energy intensive industries have made possible and encouraged the introduction of more ambitious renewables policies by Member States, while allowing industries' competitiveness. Without the aid, electro-intensive industries facing the highest level of global competition, would not been able to remain internationally competitive, deliver environment and energy benefits and maintain a strong industrial base in Europe.
- Until support mechanisms for RES are completely phased out, the EEAG rules should maintain current framework to protect industrial competitiveness by reducing the impact of these regulatory costs on their energy bill. Furthermore, such provisions should be strengthened in view of the increasing costs stemming from Green Deal implementation.
- The possibility for targeted RES charge reductions (as foreseen in section 3.7.2 of the EEAG) has played a crucial role in limiting carbon leakage since 2014, given that non-ferrous metals are particularly sensitive to an increase in the costs of electricity. The current Guidelines provide Member States the opportunity to further limit the overall amount to be paid to 0.5% of GVA for the most electro-intensive undertakings. Looking ahead, it is necessary that the burden for electro-intensive industries does not go beyond what they can bear. It is necessary to further maintain the possibility of regulatory burden caps at undertaking level.
- The revision must maintain adequate hardship regimes, cost limits and specific measures for industrial users exposed to the risk of carbon leakage. The provisions adopted in Section 3.7 paragraphs 188 & 189 of the current EEAG, wherein relief granted is proportionate to the specific exposure of each sector at the level of undertaking/activity, should be preserved.

**Extend the scope of reductions for energy intensive industry to all extra costs resulting from energy transition and higher climate ambition**

- Not all costs related to the low carbon transition are limited to RES surcharges. In fact, the transition has led to European electricity consumers being burdened with numerous other costs and charges, which threaten the global competitiveness of the most electro-intensive companies (and particularly those who are 'price takers'). The Commission has taken note of this and since the adoption of the EEAG, has evaluated (and approved) targeted reductions to numerous other electricity surcharges.
- Extra costs are not merely resulting from renewable surcharges but involve all costs as a result of the path towards the climate targets for 2030 and climate neutrality objective. They include direct funding support for additional infrastructure, storage that enables low carbon electricity uptake in the power mix, financial support to generation adequacy. Additionally, funding of capacity mechanisms surcharges, system balancing costs, redispatch costs and extra network investments are also extra costs that should be compensated.
- Looking ahead, the EEAG's scope should be extended to reflect recent case law on existing surcharges related to the energy transition. Specifically, to ensure consistency between these cases and the EEAG, the scope of the EEAG should be extended in order to encompass the following reductions: support for high-efficiency co-generation, funding of public service obligations, surcharges levied for the funding of capacity mechanisms and increased system costs.
- Given the impact of these costs on the competitiveness of electro-intensive sectors facing international competition, the Commission should consider extending the scope of Section of 3.7.2 of the EEAG to encompass these elements. A cap of all electricity cost relate to the energy transition as a percentage of GVA should be favourable way forward.

### **Support for industry decarbonization and low-carbon technologies**

- Looking ahead, aid granted under the EEAG will be important for the energy intensive industry to remain competitive, while creating incentives to facilitate projects to promote energy efficiency, emissions reduction and the development of innovative production and processes.
- The green transition will require enormous investments in the development and uptake of both existing as well as breakthrough decarbonization technologies.
- This transformation will require a mix of different pathways, and for industry to be able to continue to invest in decarbonization technologies and to purchase new energy carriers, which will need an adapted framework.
- It is essential that the revision widen the scope of the EEAG to all technological and market innovations that support the environmental objectives.
- Financial support to technologies must not be limited to technology innovation support but should also cover scale ups, aid for investments and operating costs.
- The support schemes (contracts for difference or other) shall be technology neutral e.g. direct electrification, indirect electrification for renewable hydrogen, waste heat recovery and use. The development of such projects shall be supported by policy as industry is not able to finance them.

### **Provide long-term certainty to make investments and operations in Europe**

- Predictability of the framework will support companies' ability to enter into decarbonization projects.
- Therefore, more long-term guidance in relation to regulated components of energy costs would increase the effectiveness of the rules.
- In the specific case of electro-intensive sectors, long-term predictability on the regulatory costs could make solutions such as renewables power purchase agreements more attractive.

### **Conditionality**

- The IIA flags the Commission intention to consider some form of environmental conditionality for granting the aid.
- It is important to note that due to high energy intensive nature and exposure to global competition, our industry have by nature the strongest incentive to be as energy efficient as possible to reduce the costs. However, should some form of conditionality be considered, it should be well designed, proportionate and should have an incentive effect without penalizing the companies that have already invested in these measures.
- The aid could be linked to the implementation of a certified energy management system.