

E.ON welcomes the revision of the Energy and Environmental Aid Guidelines (EEAG) in 2021. The increased 2030 greenhouse gas emissions reduction target will be underpinned by a massive and intelligent mobilization of capital from the EU and national budgets and private investors. To achieve sustainable reboot and turnaround of the European economy state aid guidelines can trigger investments clean energy infrastructure and in future-proof technologies where market signals are not (yet) strong enough.

Widespread electrification of the economy should be a top priority to ensure cleaner and more affordable energy to businesses and citizens. For hard-to-abate sectors, hydrogen production and use can step in to reduce emissions. We welcome the stronger focus on integration of energy with industry, buildings and transport. Our grids and customer solutions are at the heart of delivering the link between all these sectors.

The revision of the EEAG should come as a package deal with the reform General Block Exemption Regulation, and we call on DG COMP to move up the planned reform. The EEAG and GBER should cover all solutions that contribute to decarbonization and ultimately to carbon-neutrality by 2050.

To accelerate the pace of decarbonization, the top priorities should be **making electricity more attractive for consumers** than fossil fuels; enabling faster roll-out of **energy efficiency solutions**; supporting resilient and digital **energy infrastructure**; supporting **system-wide approach and innovation**; steering funding for **RES to the national budget** coupled with generating additional budget revenue for the authorities from the use of fossil fuels in **non-ETS sectors** (such as buildings and transport); and making **output-based tenders** based on carbon objectives the norm. Those priorities should, to the extent possible, be implemented by relying on the GBER and through the EEAG.

E.ON believes that a meaningful reform of state aid guidelines should achieve:

✓ **A relief of the electricity price to support direct and indirect electrification**

The high share of levies and taxes in the electricity price hinder the economics of electrification. In order to send the correct price signals to consumers, removing all levies and taxes should be a high priority and has two important positive effects: to foster the competitiveness of energy-intensive European industry, by covering the price differential compared with non-EU regions, and alleviate the social aspects, making electricity more affordable for all consumers. This may reduce the need for aid for EUIs.

The EEAG can contribute to this objective two complementary levers; (i) ceasing to finance RES through levies on the electricity price; and (ii) allowing a tax reduction on electricity below the minimum threshold in the Energy Taxation Directive. Aid for renewable generation or any other low-carbon technology (e.g. cogeneration) should be authorized with a clear conditionality that the support scheme shall not be passed through to the final electricity customer.

As far as the fiscal burden on electricity, it would be preferable that the Electricity Taxation Directive allows for zero tax, but if the revision fails to address this or until it does, tax exemptions could be authorized as state aid for certain uses (e.g. electricity used in electrolyzers).

✓ **Support for investments in energy infrastructure – clarification in EEAG & GBER**

It is undisputed now that the decentralized and decarbonized future energy system is predicated on a resilient and digitalize energy infrastructure. Smart distribution grids in particular will play a key role to reshape the energy system in a way it is fit to deliver the 2030 targets and 2050 net-neutrality goals. Investment in distribution infrastructure is a no-regret option. As DSOs are regulated entities, support for grid projects do not constitute state aid as DG COMP's own Analytical Grids on Energy Infrastructures from 2016 have found. In order to avoid any doubt, we

believe it should be made explicit that no aid notification or no other limitation (e.g. to assisted areas as in Art 46 of the GBER) is applicable in these cases.

✓ **Proper enabling conditions for system-integration by:**

○ **A technology-open approach wherever possible.**

Rather than prescribing aid for certain technologies, this will enable a system-wide approach and incentivize bidders to come up with innovative solutions e.g. tailor-made solutions to decarbonize an urban neighborhood that take into account existing conditions and resources.

○ **A reinforced role of output-based tenders.**

Overall, a State aid reform should aim to further promote technological neutrality and make competitive tenders for energy efficiency measures the norm. To prescriptive solutions should be avoided. We recommend a stronger focus on tendering based on output-based criteria for achieving a certain carbon reduction in a given energy efficiency project instead of technology specific tenders, so that the highest carbon abatement is obtained at least cost. This does not concern RES tenders, where technology-specific bids are more appropriate, but is very important in cases of energy efficiency in buildings and district heating. In these cases, the replacement of an existing polluting solution should not be made on the basis of cost alone, as a new solution (or an innovative combination of multiple solutions) could (and very often does) achieve a higher reduction of GHG.

✓ **Enable a faster deployment of energy efficiency solutions.**

On the demand side, the EEAG and the GBER currently allow only building owners and tenants to receive State aid for energy efficiency in buildings. However, in order to significantly increase energy efficiency in buildings, providers of energy efficiency solutions are best placed to accelerate the implementation of projects, providing technical expertise and custom-tailored projects. Providers are able to offer bundled solutions, including financing options, more widely and reach more building owners and tenants, rather than relying on the individual initiatives.

On the supply side, district heating or neighbourhood solutions that integrate different technologies (incl. waste-heat, low-temperature networks etc), have massive untapped potential. **The aid intensity based on a funding gap is better suited to respond to the investment profile. However, for projects with a long-payback period, a long-term claw-back is a disincentive and creates a disadvantage for early movers. Provisions to forego or put a maximum time limitation on the claw-back clause should be considered. For heating that integrates RES, aid intensity should have an incremental "premium" if the RES share is higher than for instance the national targets. The same could be possible for CHP that can use a low-carbon or green gas feedstock.**

✓ **Operating aid should be authorized**

Blended operational and investment aid for energy efficiency measures (e.g. heating) should be authorized. This is especially the case in situations where digital solutions can perform roles which are traditionally covered by classic investments or in integrated systems where novel approaches of operations and optimization have to be demonstrated. Operating aid is needed for smart integrated solutions, where the operation of digital platforms or application of novel optimization measures can offset capital expenditures required to build additional "hard" infrastructure.

On the link with Taxonomy: As the technical criteria of EU Taxonomy still need to be clarified and are under legislative procedure, it is very early to tell whether mainstreaming Taxonomy would help or harm decarbonization objectives. Based on the technical criteria in the draft, we caution that creating a link too early risks undermining the role of transitional technologies which are incompatible with the existing thresholds.