

# Commission Regulation amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in the application of Article 108 and 108 of the Treaty

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December 2021

INSULEUR's Feedback to the proposed Commission Regulation

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## 1. INSULEUR's feedback

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Kindly find below the main points, which INSULEUR would like to highlight:

- INSULEUR notes with satisfaction the proposed inclusion of **Digital Innovation Hubs** in paragraph three of the preamble. These are in fact considered as innovation clusters where the aid permitted under this Regulation would be targeted towards tackling “market failures linked with coordination problems hampering the development of clusters, or support the operation of clusters, with a view to enhancing collaboration, networking and learning.”

INSULEUR notes that this represents an important step forward given the need for insular business entities to support and boost their digital transformation of both production and development processes of services and applications, especially those in the tourism and agricultural sectors. This will help them to successfully face today's global challenges by supporting their competitiveness and help them integrate and enhance innovative products and technologies towards sustainable living. The inclusion of non-for-profit organisations under the amendment of article 92 is also a very important change.

- INSULEUR agrees also with the point indicated in paragraph 7 of the preamble whereby this includes “investment aid for supporting the acquisition or the leasing of zero-emission vehicles or clean vehicles”. The groundbreaking mobility system on the Mediterranean island of Astypalea and the important move towards electrifying the fleet present on the island of Chalki shows in practice how islands will gain a significant improvement in their daily life with a cleaner environment, as well as lower energy costs. Indeed, at present, energy demand on most EU islands is almost entirely met by fossil fuel sources. Though islands are aspiring to diversify their economic model tourism will stay play an important in islands' economies. As many aspire to become pioneers of sustainable tourism over the coming years, they are therefore backing the implementation of sustainable mobility practices on islands, which may include also the conversion of the commercial fleets of rental car companies to electric vehicles. To this end it is important to note whether hybrid vehicles will be included. This clarity is needed both for car vendors, rental companies and consumers. Given, that if aid can be granted only to fully electric vehicles, this will be affecting both investment and buying patterns.

INSULEUR also agrees with the point raised in the same paragraph that “aid for recharging and refuelling infrastructure should also be available for infrastructure that is not publicly accessible.” This will be a very important step to support the deployment of recharging infrastructure in private households. The change in article 36 a reflects these amendments. This is a point which should be taken into consideration at a national level in each country.

- INSULEUR also agrees with the point highlighted in paragraph 10 of the preamble “introducing compatibility conditions for investment aid for the rehabilitation of natural habitats and ecosystems, the protection and restoration of biodiversity and nature-based solutions for climate change adaptation.” This should be an important step for EU Islands and ORs / OCTs in particular, which share peculiar geographical characteristics, i.e. remoteness, insularity, small size, difficult topography, and exposure to climate threats. Remoteness and the insularity have indeed allowed the growth of rich biodiversity on land and, even more so, at sea which needs to be preserved since it is under particular threat because of islands' shortness of space, climate change, habitat destruction by building on the shore line and pollution. Islands are also among the most vulnerable regions to rising sea levels, drought and flooding.

This amendment may allow state aid to be provided in such a way that these sites may be properly managed also for tourism purposes, given that tourism sector depends on the good condition of natural habitats and ecosystems. The Natura 2000 network offers several possibilities for development of sustainable tourism products, but this development needs to be properly managed in order to prevent any possible deterioration or disturbance in these areas

The inclusion of hydrogen under the proposed Regulation is also an important development given the importance of the role of hydrogen in decarbonising EU islands and the ability of hydrogen & associated technologies to decarbonise islands, while generating jobs and growth needed for their economic recovery, given that Islands are confronted with a number of energy challenges due to their specific geographic constraints.

- The reference in article 49, paragraph 37 (b) of the type of interventions that are considered compatible for state aid purposes is also an important clarification, which should also assist in the formulation of future policy at national level. The inclusion of residential buildings is also important considering the number of apartment blocks on some islands, and the need for their respective Governments to intervene to ensure the uptake of initiatives to enhance their sustainability. Apartment blocks may in fact require more large scale and costly interventions in order to increase their energy efficiency.
- Overall, the inclusion of the amendments in the proposed Commission Regulation amending Regulation No 651/2014 declaring certain categories of aid compatible with the internal market in the application of article 107 and 108 of the treaty, are a positive step. However, ideally it must be ensured that the proposed Commission Regulation is structured in such a way that if a new technology linked to new forms of renewable energy is developed in the coming years, it should be in a position to allow it and include it in the said regulation in a very rapid manner. Competitiveness will be more and more linked to sustainability in the coming years. Having a regulation which would enable countries in the European Union to be early adopters of new technologies is of utmost importance. This would ensure that countries forming part of the European Union and their islands in particular would remain competitive and at the forefront of new emerging technologies.
- INSULEUR agrees with the fact that the provisions of Regulation (EU) No 651/2014 concerning operating aid for the promotion of energy from renewable sources should be expanded to include renewable energy communities, in accordance with Directive (EU) No 2018/2001 of the European Parliament and of the Council<sup>12</sup>. Indeed, for EU Islands, empowering citizens and small producers under the concept of Renewable (REDII) or Citizens (EMD) Energy Communities is of utmost importance for Islands as it allows direct participation in the energy transition by jointly investing in, producing, selling and distributing renewable energy. The participation of local citizens and local authorities (groups of citizens, SMEs, social entrepreneurs, public authorities and community organisations) in renewable energy projects through renewable energy communities has resulted in substantial added value in terms of local acceptance of renewable energy and access to additional private capital which results in local investment, more choice for consumers and greater participation by citizens in the energy transition. Therefore, this would ensure that renewable energy communities can participate in available support schemes on an equal footing with large participants.

- INSULEUR would also like to comment that an important inclusion in this Regulation should be the assistance provided by the Governments to deploy new technologies on islands, prior to these being launched on a national level. Islands all over the European Union have proved to form ideal test beds for the deployment of new technologies. Presently islands are still over dependent on tourism. Enabling them to be testbeds for the deployment of new sustainable solutions could create important economic niches which would provide real value added to these territories.
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