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**Vattenfall** is an European energy company with approximately 18,500 employees. We are one of Europe's largest producers and retailers of electricity and heat. Our goal is to make fossil-free living possible within one generation. Everything we do and the decisions we take shall lead to this goal. This is the basis of Vattenfall's strategy, and we advocate for a regulatory environment that makes this transition possible – in the energy sector and beyond in transport, industry, and other sectors.

## **Vattenfall comments on**

### **THE COMMISSION PROPOSAL FOR THE TARGETED GBER REVISION COMMISSION REGULATION (EU) .../... of XXX amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty DRAFT**

The EU's net zero ambitions and resulting 2030 targets require an unprecedented pace of decarbonization and significant investment in all sectors of the economy. The remaining time until 2030 poses special challenges for all stakeholders and planning and investment security are of utmost importance. National financial support is necessary for the transition to new, highly efficient and fossil-free technologies and systems, to timely and cost-effectively achieve the climate and environmental targets.

GBER and CEEAG should be appropriately updated and streamlined once the "Fit for 55 package" has passed the legislative process.

#### **National support schemes allow for a timely and cost-efficient achievement of climate and environmental objectives**

Vattenfall positively recognizes that certain notification thresholds are proposed to be substantially increased. The need for financial support is very much dependent on the respective conditions in the different Member States. In contrast, the need for support is not increasing with the decreasing company size. Therefore, aid intensities should not be differentiated with the company size.

Key technologies such as Biomass-CCS (BECCS) that can contribute with the negative CO<sub>2</sub> emissions that will be needed for reaching 'net-zero' GHG emissions by the mid-century, on top of the strong focus needed for phasing out all fossil fuels, should be eligible to receive 100% aid intensity [ref. Article 36 (6)].

With a view to addressing the broad scope of policy options to support the transformation in various sectors, "operating aid" should be generally possible as an equal option for Members States to address

the competitive gap between sustainable solutions and fossil fuels, e.g. in Article 46. A limitation on operating aid for the promotion of electricity from renewable sources, of energy from renewable sources and renewable hydrogen in small scale installations and for the promotion of renewable energy communities doesn't seem to be appropriate against the substantial investment need in various branches to reach the 2030 targets. [ref. Article 4 (1) (v) and (va); Article 42; Article 43]

### **Definitions of renewable and low-carbon hydrogen should be fixed in energy legislation**

We see a need for better definitions of energy sources in EU legislation. Today, it is unclear what falls under certain definitions (e.g. renewable fuels of non-biological origin) whereas other energy sources (renewable hydrogen, electrofuels) are not even defined yet. Still, in our opinion it should not be defined in the GBER what renewable (Article 2 point (102c)) and low-carbon (Article 2 (point 102e)) hydrogen is. The GBER shall make reference to the relevant energy legislation.

Renewable hydrogen should be defined in the EU Renewable Energy Directive. Renewable hydrogen could be defined as hydrogen that is made by electrolysis with the electricity coming from a renewable source, or by another production where the feedstock would come from a renewable (biogenic) source and where the energy required for the production process would come from a renewable source. Reference to a non-existent Delegated Act which is under REDII limited to transport, in our opinion is not sufficient to address what constitutes renewable hydrogen. There's a risk of persistent legislative inconsistency.

Likewise, low-carbon hydrogen, should be defined in the upcoming decarbonized gas and hydrogen legislation. We have a preference not to combine hydrogen produced by electrolysis and hydrogen produced by natural gas and CCS in the same definition. For the purpose of State Aid, but also for the general policy debate, treating them as separate categories would be more straight forward to reflect on the different national energy mixes today and going forward.

The power sector already today is subject to carbon pricing and continuously decarbonizing. A narrow focus within the GBER on renewable electricity does not seem necessary, when considering investment aid [ref. Article 36].

### **To drive the transition, substantial support for efficient DHC systems as a whole is required.**

Appropriate remuneration for efficient District Heating/Cooling (DHC) Systems<sup>1</sup> and combined heat and power (CHP) will substantially contribute to the reduction of greenhouse gas emissions from buildings by 2030, particularly in densely populated urban areas, and the increase of the share of renewables and waste heat. Moreover, they are supplying flexibility and stability for the increasingly volatile electricity system (energy system integration). Vattenfall generally welcomes the relevant provisions in Article 41 and Article 46.

Against this background, Article 38 should allow support for connecting buildings to efficient DHC systems (ref. Article 38 (2b) and (3b)), in order to safeguard the applicability of all options to substantially reduce the primary energy demand and to increase share of renewable and waste heat sources in the residential sector.

We support the funding gap approach for investment support for energy efficient district heating/cooling. The focus on identifying the funding gap and the possibility of closing it in a way that does not

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<sup>1</sup> Efficient DHC systems integrate power-to-heat applications (electric boilers, large heat pumps etc. using renewable based electricity), carbon-neutral-fuel ready CHP plants (initially fired with natural gas, later with carbon-neutral fuels), thermal storage, excess/"waste" heat integration and utilisation of renewable sources (e.g. geothermal, solar thermal or sustainable biomass), resulting in lowering the costs for infrastructure deployment, decarbonising urban buildings and supplying flexibility and stability for the increasingly volatile electricity system.

jeopardise or impede the internal market is an appropriate methodological approach. This allows its application in areas that have not been the focus of the State Aid regulation so far. These include the transport and buildings sectors, together with the fundamental recognition of the contribution of DHC and CHP to the decarbonisation of the buildings sector and thus to an essential component of achieving the 2030 and 2050 targets.

Vattenfall welcomes the explicit positive recognition of high-efficiency cogeneration. Against this background, the definition of 'district heating and cooling systems' should be broadened and explicitly include 'combined heat and power plants', as well as 'power-to-heat installations' using renewable based electricity [ref. Article 2 point (124b)]. For the sake of regulatory consistency and given the already proposed reference to the Energy Efficiency Directive (EED), "energy efficient district heating/cooling" should be replaced by "efficient district heating and cooling" [ref. Article 2 point (124); Article 46].

The role of natural gas as a necessary transitional step to become fossil-free within one generation, in particular in the decarbonisation of district heating and cooling systems as well as large parts of the European building sector, is duly recognized. At the same time, there is a need to avoid a medium- and long-term "lock-in" of e.g. gas-fired energy generation. GBER should be extended by the option to receive aid for anticipatory investments that allow assets to be 100% ready to use a broad spectrum of climate-neutral fuels when they are available.

### **Clean mobility**

Vattenfall welcomes the introduction of guidelines on clean mobility, both for the acquisition and leasing of clean vehicles and for charging and refuelling infrastructure.

The inclusion of State Aid support for the second-hand market for clean vehicles will ensure that no one is left behind and that clean vehicles are affordable for all.

Regarding support for the deployment of regeneration or refuelling infrastructure, Vattenfall supports the European Commission's proposal (AFIR) for a mandatory minimum infrastructure coverage across Europe. However, there are strategic areas that are likely to be subject to market failure due to low traffic volumes in the short to medium term; these are the so-called "white spots". An additional 5-15% of infrastructure in these areas will not cover the need and should be increased. For example, the Swedish Government currently finances DC-charging in remote areas in the Northern part of the country with 100%, and even then more aid is needed for operation and maintenance. State Aid should be allowed in these areas to ensure that electric vehicle drivers will have the confidence to travel across Europe without range anxiety or charging issues. Also, the aid intensity should be increased up to 50% where the recharging or refuelling infrastructure supplies exclusively fossil-free or decarbonized electricity, rather than only renewable electricity or renewable hydrogen respectively.

