

Fortum group position on the State Aid General Block Exemption Regulation

General remarks

Fortum Group welcomes the process to review the General Block Exemption Regulation. It is important to align GBER with the EU 2030 and 2050 climate targets and the FitFor55 Package. It should be ensured that the revised guidelines will sufficiently reflect the recent technological advancements, development of other steering mechanisms as well as the EU Commission's objective to reach carbon neutrality by 2050.

The IPCC report, together with the EU 2050 long-term climate strategy, underlines the necessity to go beyond traditional renewable electricity sources and more towards industrial decarbonization and decarbonization of the wider economy. It's now increasingly understood that also technologies to capture, store and utilise CO₂ (CCS, CCU) as well as direct and indirect electrification are needed.

Finally, it is important to ensure that the principle of technology neutrality is applied in a consistent manner across all different horizontal EU policies. The commission should consider whether mechanisms such as carbon contracts for difference should be included in the GBER.

Please find below our comments relating to certain specific areas.

Electricity storage

Recital 8 states that 'aid for storage projects should be exempted from the notification requirement only to the extent that storage and renewable energy generation facilities are connected.'

Energy storage technologies enable the integration of renewable energy sources by providing flexibility services, including balancing and congestion management, and can also defer investments in new, expensive grid lines.

As such, energy storage technologies fully contribute to the cost-efficient decarbonisation of our energy system and should not be required to be connected to renewable energy generation facilities to be exempted from the notification requirement.

Renewable electricity (RES-E)

Fortum supports the provisions related to renewable electricity. It is important to ensure technology neutrality and competitive bidding in the cases where support for renewables is needed.

Reduction of taxes

Fortum welcomes the approach to allow tax reductions for energy intensive industries to facilitate electrification further. It could be considered to allow even bigger reductions to fall in the scope of the GBER to facilitate electrification further.

Nuclear

The role of nuclear as a stable and climate neutral source of electricity should be recognized in the general block exemption regulation.

As indicated in the article 194 on the treaty on the functioning of the European Union the member states should be free to choose their own energy mix. Hence nuclear and projects where nuclear power is used should be regarded as eligible for support as any other climate neutral energy source.

Hydrogen

We welcome that the revision of the GBER aim to facilitate the public support for the deployment and roll out of hydrogen activities that previously didn't have adequate legal coverage, and acknowledges in particular the following improvements:

- The extension of the scope of the GBER to a wide range of activities that are relevant to develop the hydrogen sector under a value chain approach, ensuring thereby coherency and continuity with the upcoming Climate, energy and environment guidelines (CEEAG).
- The possibility given to exempt operating aid from notification in certain circumstances, for the first time, along with investment aid.
- The possibility of providing 100% of aid intensity to hydrogen activities under certain circumstances, recognising thereby the needs of hydrogen deployment.

The revision is a huge step forward in the EU state aid policy, but the new framework should be further streamlined to allow state aid fully deploy its potential in support of the ambitions of the EU Hydrogen Strategy and guarantee the ramp up of a fully-fledged and synchronised European value chain.

We invite therefore the European Commission to take into consideration the following key points:

- Both renewable and low-carbon hydrogen solutions, such as hydrogen produced from steam methane reforming combined with CCS or hydrogen produced from electrolysis powered by nuclear, contribute to the decarbonisation of our energy system. As such, both renewable and low-carbon hydrogen solutions should be considered compatible with the internal market and be exempted from the notification requirement of Article 108(3) of the Treaty.
- The definitions for renewable hydrogen and low-carbon hydrogen should be first introduced in the relevant legislations, i.e. the review of the Renewable Energy Directive (RED3) and the review of the Gas Directive. The definitions in the GBER should then be aligned with these legislations. More particularly:
- (102c) Renewable hydrogen: it is important to encompass all technologies which will contribute to producing renewable hydrogen. The European Commission should recognise biogas as a

renewable source of energy for hydrogen, considering the positive role that it can play mainly at local level.

- (102e) Low-carbon hydrogen: the reference to the marginal generation unit to determine the carbon content of electricity-based hydrogen is concerning because it does not reflect the average carbon content of electricity over a given time period.
- Address inconsistencies on aid intensities, by introducing a systemic approach on hydrogen projects that allows for higher intensities based on CO₂ emissions, and alternatively up to 100% of the funding gap.
- Full-fledged integration of operating aid within the exempted hydrogen categories to compensate the high cost of renewable H₂ production and use compared to grey hydrogen

Promotion of efficient (low carbon) district heating and cooling (DHC) and high-efficient co-generation (HE CHP)

The contribution of DHC and CHP as scalable solutions to de-carbonize the heating and cooling sectors is well recognized. We support the increase of the notification threshold up to 50 M€ given that the majority of individual investments in the sector incl. small/medium sized CHP would then fall below this limit.

The definition of efficient DHC and HE CHP will be crucial and should be based on current EED article 2:41. We support full coherence across GBER, RED3 and EED revisions. The uptake of waste heat (widely interpreted) should be in full parity with RES, and thus included in the article 46:1 and 4 during the transition to climate neutrality. Transitional requirements to commence further investments in order to reach the status as efficient DHC systems would need to be prolonged up to 5-6 years instead of 3 years because the necessary investments per one DHC system are typically very substantial and need to be implemented step by step to better engage customers for the transition and to avoid too high one-off cost burden. Also, when the definition of efficient DHC can be estimated to be stepwise tightening between 2025-30, such longer transitional period would be justified.

Operating aid for the promotion of high-efficiency CHP will play a role in some Member states to fulfil climate and energy objectives. Providing aid to such a solution via the means of competitive bidding processes has a limited impact on internal market and should be envisaged under the GBER.

As a general rule, any aid to increase buildings' energy performance should consider equally efficiency measures, on-site generation of energy from renewable sources and connection to an efficient DHC system. The new provisions on buildings should also cover aid for costs related to the connection of buildings to efficient DHC systems.

The indicated requirement for the compliance with 2030 and 2050 targets should be specified. This could be interpreted as compliance with national energy and climate plans because national heat markets vary significantly across Member States and the solutions to de-carbonize are very much country and DHC system specific.

Circular economy and waste management

Waste recovery operations to generate energy should be exempted in cases, when other means of treatment higher in the waste hierarchy are not technically feasible. Non-recyclable residual waste needs to be treated according to EU waste legislation and the best solution for that for the said waste is

thermal treatment. Waste-to-Energy ensures the successful implementation of the EU landfilling target of maximum 10% for municipal waste in 2035, as demonstrated in Member States with the most advanced recycling schemes.

Secondly it is important to ensure that investment costs to CCU/S solutions to existing Waste-to-Energy plants are eligible to investment aid in situations, where the investment does not increase the thermal treatment capacity of the plant.

Role of natural gas and biogas, biofuels

Natural gas infrastructure and related power generation play a very important role in the transition process and in underpinning the further deployment of renewable energy sources. Following the same logic as in the CEEAG, the GBER should enable natural gas-related activities to be exempted from the state aid notification requirements, insofar as these investments are compatible with the Union's 2030 and 2050 climate targets.

Biodiversity

Fortum welcomes the potential to allow support measures for biodiversity. Nature restoration and protection is positive externality that provides less benefit to the party implementing the measure and a big benefit to the wider society. Especially in the case of hydropower biodiversity measures that can lead to large production losses and loss of flexible balancing power, the implementation of these biodiversity measures could be supported in some instances even if these are to fulfil the requirements of the water framework directive.

Carbon removal technologies and CCS

Fortum welcomes the support for CCS technologies. The support could be widened to both investment aid and operational aid. Also, all methods of transporting carbon dioxide should be covered under the state aid guidelines including transportation via trucks, barge, railways and ships.

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