

**Eni S.p.A. contribution to the public consultation on the targeted review of the
General Block Exemption Regulation (State aid):
Revised rules for State aid promoting the green and digital transition**

1. Introduction

Eni is a global integrated energy company, employing over 30.000 people across 68 countries and headquartered in Italy. In February 2021, we announced our new strategy to achieve, by 2050, net zero on GHG lifecycle emissions in scope 1, 2 and 3 (Net GHG Lifecycle Emissions), and the associated emission intensity (Net Carbon Intensity) for the entire life cycle of the energy products sold. We believe it is essential to exploit the potential of all available technology options to achieve decarbonisation. This means increasing energy efficiency and renewable energy share, leveraging bio-energy and bio-fuel contribution, together with hydrogen and its derivatives, thus replacing traditional energy sources with more sustainable ones and implementing CCUS at scale.

We welcome the opportunity to provide comments on the revision of the General Block Exemption Regulation (GBER) and appreciate the direction taken by the Commission to align State aid legislation to the objectives of the European Green Deal. Indeed, achieving climate neutrality will require putting in place the right regulatory framework, paying specific attention to the cost effectiveness of measures, leveraging all technology options, and focusing on the delivery of immediate results. Therefore, efforts to decarbonise the EU economy would not deliver their full potential if the GBER, in parallel with the Energy and Environmental State aid Guidelines 2022 (EEAG), were not revised to recognize major technology, market, policy and regulatory-driven changes. The revision should thus facilitate access to the major financial resources and appropriate market supporting mechanisms required to meet the Green Deal objectives, especially in the context of the pandemic recovery.

2. Definitions

Concerning CCUS technologies, we believe that the definition of infrastructure for the transport of CO₂ included by the GBER should reflect the opportunity represented by the repurposing of the existing upstream pipeline network to transport CO₂ to depleted oil and gas fields. In fact, this is often an easily accessible option to accelerate the development of CCS projects.

In addition to the above, we believe that the infrastructure within a geological formation used for the permanent storage of CO₂ is a key component of the CCS chain and therefore should fall under the definition of 'energy infrastructure for the transport of CO₂', as already recognised by the draft EEAG 2022. Therefore, we suggest amending the text to include permanent storage, in order to ensure consistency among EU rules and to support appropriately investments for reduction of CO₂ emissions (Art. 36) and retrofitting of existing energy infrastructure (Art. 48).

Finally, we would like to point out that the extensive deployment of CCUS will require developing an adequate transport network, enabling CO₂ collection from large and small emitters and transfer to geological storage sites not evenly distributed among member States. For that, we believe that the proposal for amendment of the GBER should include CO₂ transport via modalities other than pipelines – in line with the EU Taxonomy and the draft EEAG 2022 – such as ship, barge, truck, and train.

We also notice that the definitions of renewable hydrogen and low carbon hydrogen are not aligned across EU legislation. For instance, the Energy Taxation Directive proposal includes an altogether different definition for the former and a reference to the delegated acts of Regulation (EU) 2020/852

for the latter. Therefore, in order to improve regulatory coherence, we believe that the GBER should adopt the definitions found in the relevant primary legislation, namely the Renewable Energy Directive (RED), currently under review, and the Gas Directive, which will be subject to revision as part of the upcoming Gas Package.

3. CCUS, hydrogen and related technologies

We think that the interlinkages between the proposed paragraphs (6a) and (6b) in Article 36 are not clear and could lead to diverging interpretations. Therefore, we advise spelling out that aid intensity for CCUS projects amounts to 100 % of the eligible costs provided that the conditions laid out in paragraph (6b) are met.

We also believe that the retrofitting of existing gas pipelines is a valuable opportunity to facilitate the upscale of CCUS and hydrogen technologies. Indeed, the EU Taxonomy has included retrofit of gas pipelines for integration of captured CO₂ for permanent storage as a sustainable investment in a net-zero economy. Therefore, we ask to enlarge the scope of Article 48.3 relating to investment aid for energy infrastructure to ensure a quick deployment of hydrogen technologies and CO₂ transport into new and existing pipelines or grids.

Finally, as mentioned in Title II, the revised GBER enlarges the scope of the exemption from notification to the European Commission to a wide range of hydrogen activities, but these relate almost entirely to investment aid. For hydrogen, the GBER proposal only exempts operating aid for the production of renewable hydrogen for small scale installations and renewable energy communities (Art. 43), whereas the high cost of producing and using renewable and low carbon hydrogen production compared to grey hydrogen remains a key issue for larger scale installations and downstream users. Furthermore, we would like to stress that operational costs represent a significant share of overall CCUS costs, and operating aid could contribute to overcome market failures and meet the EU's considerable infrastructure needs. Therefore, we ask the European Commission to systematically integrate operating aid for hydrogen and CCUS projects, limiting therefore the use of cumbersome and uncertain notification processes to the cases where this is strictly needed.

4. Clean mobility

With the support of the right regulatory framework, biofuels do offer, already in the short term, significant savings in greenhouse gas emissions in the road transport, shipping and aviation sectors, while contributing to the circular economy. In fact, the use of waste and residues for the production of sustainable fuels as per the Renewable Energy Directive, allows high emissions savings without indirect impact on land use (ILUC) and without entering in competition with the food and feed chain. Therefore, to support the decarbonisation of the transport sector and ensure the coherence of EU legislation, it is necessary to amend Articles 41 and 43 of the GBER to align them with the RED III proposal, enhancing biofuels compliant with the sustainability and greenhouse gases emissions saving criteria of Directive (EU) 2018/2001 (RED).

Alternatively, as a "de minimis" option it would be at least necessary to align Articles 41 and 43 of the GBER to the proposed ReFuelEU Aviation which considers eligible biofuels produced from feedstock listed in both Part A and B of Annex IX of the Renewable Energy Directive (RED).

In a similar way, the proposed amendment to Article 44 of the GBER considers eligible for tax reductions all sustainable biofuels identified by the Energy Taxation Directive (ETD). We support this approach and we believe that sustainable biofuels should not be equated to fossil-based fuels. We also highlight that, besides improving regulatory coherence, aligning the GBER with the ETD proposal would fast track the implementation of support measures for biofuels in EU law, offering a safeguard in case the ETD reform was rejected or the content significantly altered.

Alternatively, as a "de minimis" option it would be at least necessary to emend Article 44 of the GBER to include at least biofuels obtained from feedstock listed in Part B of the Annex of the RED, which the recent proposal to amend the ETD as part of the 'Fit for 55 Package' considers eligible for a lower tax rate.

5. Electricity

Although major contributions to the decarbonisation of "hard-to-abate" sectors will come from non-electric decarbonised and renewable solutions, we would like to stress that electrification could in some cases play a significant role in decarbonising machinery and equipment. Therefore, we suggest amending the proposed Article 36 to make an explicit connection to the use of electricity.

Additionally, the amendment of Article 42 refers to the suspension of investment aids for the promotion of energy from renewable sources, renewable hydrogen and high efficiency cogeneration, described in art. 41. As the article considers the suspension of the mentioned aids in case of negative prices occurrence, we deem necessary to refer specifically to *electricity* negative prices. Furthermore, the measure should refer to support systems connected to the value of the energy sold in the market (e.g. Contracts for difference), while it has no relevance when support systems depend on other types of parameters.

Furthermore, the proposal for amendment of Article 43 provides that operating aid to renewable energy communities is exempted from the notification requirement only for projects with an installed capacity of less than 1 MW. Given the debate still underway, we believe it would not be appropriate in this context to define a threshold for installed capacity, adding instead a reference to the Renewable Energy Directive. We also believe the same should apply to the limits defined in the context of the EEAG revision.

We also suggest revising the provision amending Article 41, paragraph, (10), dedicated to undersubscribed bidding processes. With this regard, we would like to point out that insufficient participation in competitive procedures is often to be attributed to bottlenecks in the authorisation process. Therefore, Member States should facilitate participation by streamlining current permitting procedures, and not only by revising the structure of a bidding process.

Last of all, regarding investment aid for new or modernised high-efficiency cogeneration units, the limitations on the use of natural gas in line with the climate objectives for 2030 and 2050 would require a clarification by the Commission. In fact, it is not clear to what specific criteria the text is referring when it comes to compliance with the 2030 and 2050 targets.

6. Transition towards a circular economy

The proposed Article 47(1) clearly refers to investment aids for both resource efficiency and circularity. However, paragraph (2) misses the opportunity to further recognize the role of alternative feedstock in spurring circularity and reducing the use of virgin fossil feedstock. To this end, we suggest to expressly include renewable raw materials in the types of investments covered by Article 47. Furthermore, paragraph (2) could be completed by adding a reference to technologies and processes enabling capturing and use of CO₂, which would lead to CO₂ circularity.

In addition to that, we propose revising the wording of Article 47(5), which may suggest that, to be eligible, a project shall *directly* contribute also to collection. Indeed, projects related to waste, re-use or recycling may directly *or indirectly* contribute to increasing collection of materials. For instance, an increase in the demand for recycling would trigger greater demand for waste collection and sorting.