Tuomas Tikka 8 December 2021

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Chemical Industry Federation of Finland contribution on general block exemption regulation public consultation

The Chemical Industry Federation of Finland (CIFF) is a trade association for the chemical industry and its closely related sectors, covering various fields in the basic and production chemical industry. The Chemical Industry Federation of Finland has nearly 400 member companies and 13 member, cooperation and agreement associations.

The Chemical Industry of Finland aims to be carbon neutral industrial sector by 2045. According to the chemical industry climate roadmap, solutions based on carbon free electricity, clean hydrogen, CCS/U solutions and sustainable raw material sources have been identified to be important enablers to the successful transformation towards carbon neutrality. Especially the demand of low carbon / carbon free electricity is going to rise significantly in the future.

Policy should be designed to create the necessary conditions for transition

Important prerequisites for transition are a stable and abundant supply of climate friendly electricity, biobased raw materials and hydrogen gas at competitive price. Chemical Industry Federation Finland (CIFF) has identified parts of the Commission proposal that pose an obstacle and hinders the effective transition to a climate neutral production. These are described below.

All climate friendly hydrogen should be promoted
Article 36 and article 2 (102e)

This provision enables investment aid for the production of renewable and low-carbon hydrogen. Considering there will be a tremendous demand for hydrogen as a means for transition in industry and other sectors, it makes good sense to favor all climate friendly hydrogen production. To put it simple, all hydrogen gas produced from renewable and fossil free electricity is climate neutral. To this should be added hydrogen produced by steam reforming. Climate neutrality can be achieved by capturing the carbon dioxide using CCS/CCU or switching to biogas. Therefore, they should all be eligible for investment aid.

The current draft of article 36 is very hard to understand and analyze. We believe a redraft is necessary to create a transparent and robust provision. The last sentence on determining the carbon content of electricity-based hydrogen should be omitted as it is not possible to see how it would be used in practice.

The recycling of carbon (CCU) is in the heart of the circular economy
Art 36, 2a and 6a

Closing the loop for materials by recovering waste and carbon dioxide is an important part of the transition to climate neutral production and holds great values in a resource efficiency perspective. The provision demands integration of the individual elements of both CCU and CCS solutions into a complete chain. It is important that this option allows for flexible solutions and different value chain set-ups.

The aid intensity is proposed to be limited to 20%. CIFF see good reasons to treat CCU/CCS investments in the same way as other investment for climate protection. Therefore, the aid intensity should be set at 40% of the eligible costs and when resulting in zero direct emissions, the aid intensity should be able to reach 50%.

Industry should always be able to source electricity from the electricity market
Article 41

The use of hydrogen is an important part of industry´s transition to climate neutral production. The necessary conditions for industry to invest in production and storage of hydrogen must come into place as soon as possible. Limiting the scope for investment aid, excluding fossil free electricity and climate neutral hydrogen production is counter productive to the climate target as such. Our member companies in Finland must be able to use all fossil free electricity available in the Nordic electricity market. The provision in article 41 demanding dedicated production of renewable electricity is not compatible with the normal functioning of market based systems and creates an unlevel playing field that will only slow down the necessary investments in hydrogen production.

Article 41 must be adjusted to include all fossil free electricity. Investments in the production and storage of hydrogen at the industry site sourcing electricity from the electricity market should be eligible for investment aid on equal terms. The power sector is part of the EU ETS and it´s reduction in carbon dioxide emissions is covered by that policy measure. No double regulation should be allowed by also targeting the industrial user.

In Whereas 8 all reference to "exclusively renewable hydrogen" should be changed to "climate neutral hydrogen".

Differentiation between consumers and industry must continue
Article 44
In Finland the electricity taxation is differentiated between consumers and industry for competitiveness reasons and climate reasons. The aim is to support electrification trend which is one of the most important key enablers to climate neutral industry. Article 44 provision seems to be based on the rules in the Energy tax directive (ETD). The possibility to do tax differentiation is also based on the present GBER art 44 pointing to art 5 in the ETD. No deletion in GBER of this reference should be done.

CIFF does not support adding conditions that energy intensive industry must implement recommendations of the audit report with a certain pay-back time in order to be allowed reductions in the energy taxation. The possibility to get a tax reduction is based on the need to safeguard industry´s global competitiveness and support climate friendly electrification solutions.

Requirements on industry to make specific investments for energy efficiency as a precondition to receive a tax reduction is not needed and will just cause extra administrator burden.

The provision of demanding the investment of at least 50% of the amount of the reductions in projects that lead to substantial reductions of the installation´s greenhouse gas emissions, must be deleted as it will create a highly unjust treatment of industry in countries with high nominal electricity tax. Industry in member states with a high level of nominal electricity (or energy) tax will have to invest more than industries in a member state with lower level of nominal tax, even if they both pay the same net tax.

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