Bellona Europa Feedback to the Targeted Revision of the General Block Exemption Regulation (GBER)

Bellona Europa welcomes the opportunity to contribute to the ongoing targeted review of the GBER, as well as the European Commission's efforts to revise the GBER in light of increased European climate ambition and the European Green Deal. We would also like to draw your attention to Bellona Europa's previously submitted recommendations to the public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG) – and call for harmonization between the CEEAG and GBER as an overarching recommendation. ***Additionally, we recommend that the GBER is amended to not give preferential treatment to unabated fossil gas as opposed to other "most polluting fuels" – such preferential treatment is not in line with the need necessary to reach our climate targets by 2030 and 2050.***

1. ***Aid for hydrogen need to be conditional on sustainability criteria and targeted prioritization***
   Both hydrogen produced through electrolysis with renewable energy (so-called green) and hydrogen produced through steam methane reforming with carbon capture and storage (so-called blue) have potential to contribute to the European Union's aims to decarbonise. **To ensure that the full decarbonisation potential of hydrogen is unlocked, full life-cycle emissions must remain below the 3 gCO_2/gH_2 threshold established in the EU Sustainable Finance Taxonomy.**

   In practice, this means **using only additional renewable electricity for "green" hydrogen production and drastically cutting upstream methane emissions and ensuring high CO_2 capturing rates for 'blue' hydrogen**. Without deploying additional renewables when electrolysers are deployed, hydrogen production will cannibalise the renewable electricity that have been deployed to phase out fossil fuel-based electricity. Moreover, if hydrogen gobbles up the existing low-priced renewable electricity production, this will inevitably increase scarcity, risking to drive electricity prices up, at the expenses of direct electrification.

   It is therefore our recommendation that aid to hydrogen is subject to specific conditions, based in sustainability criteria as outlined in the EU Sustainable Finance Taxonomy.

2. ***Undefined decarbonized gases and fuels cause of distortive effects on market competition***
   As highlighted by Bellona Europa in our 2021 briefing "Undefined 'decarbonized' gas has no role on path to net-zero by 2050"[1], we are seeing an increased reliance on decarbonized fuels, gas in particular, to decarbonize our economy.

   While low-carbon intensity gases and fuels can contribute on the path to net-zero by 2050, the terminology used when referring to them is confusing. Currently, there is no common definition to determine when in fact a gas or fuel is renewable or low-carbon. This has also been pointed out by the ICCT briefing "Gas definitions for the European Union"[2], where it is stated that terms such as "low-carbon", "decarbonized", "green" and "renewable" gases are being used interchangeably by stakeholders without specifying their climate impact. These categories encompass a variety of gases and fuels which all have different climate impacts and can come both from renewable and fossil sources.

[1] Briefing: Defining Low Carbon and Renewable Gas - Bellona.org
[2] icct_-_gas_definitions_for_the_european_union.pdf (europa.eu)

While often times referred to as “renewable” and “low-carbon” gases across EU legislation, there is no reference to a clear legal definition of these terms or which gases and fuels are encompassed by the specific terms. The purpose of any “renewable” or “low-carbon” fuel or gas is to significantly reduce emissions compared to the fossils they are replacing. But without a clear definition and common language, we risk further investment and development of infrastructure which is in reality not used for this purpose – all under the guise of sustainability and emission reduction. Before they are recognised as tools for mitigating climate change, their definitions and GHG calculation methodologies should be set and standardised in order to determine whether they actually can contribute to that goal***. It is therefore our recommendation that a definition, as well as robust and transparent accounting, is included in the GBER – alternatively that clear references to which definitions is used is included in the text. Our recommendations for what definitions needs to be included can be found here.***

3. ***The GBER should clearly separate between the different terms CCS and CCU – not contribute to a conflation of the terms by usage of the abbreviation CCUS***

While the continued eligibility of CCS is fully supported by Bellona Europa, we are concerned that CCU is included as a “decarbonisation technology” on equal footing to CCS.

Due to weak carbon price signals a residual market failure for CCS should be presumed, underlying the justification for state aid to CCS projects, notably CO2 storage and CO2 transport by multiple transport modalities in addition to pipelines.

The use of fossil CO2 does not, however, have significant emission abatement potential. From a climate perspective, the extent to which a CCU product can contribute towards climate change mitigation depends on several factors. Notably the life cycle of the product and whether and when the captured CO2 is released into the atmosphere (e.g., CCU fuels are combusted and release the CO2 into the atmosphere upon their use). It should be noted that CO2 is inert and the use of CO2 is resource intensive, requiring significant clean energy to produce a fuel using or reactive mineral input to bind the CO2 and form a solid material.

In fact, CCU and CCS is treated on equal footing, this despite a 2017 study from the Energy & Environmental Science Journal finding that [1] “…analysis shows CCU to be an inferior mitigation option compared to a system with CCS producing the same fuel without CO2 utilization”. While CCU *can* play a role on the path to net-zero by 2050, this depends on a range of factors currently not included as part of the CEEAG proposals. For details on such specification, Bellona Europa has put together this presentation – we would also be happy to contribute to the further process with input should it be of interest.

State Aid should not contribute to a shift of funds towards unsustainable projects. Support offered to CCU projects without ensured storage, as opposed to CCS projects, is an opportunity cost we cannot afford on the path net-zero by 2050. It would not only hamper the climate change mitigation effect of the state aid in question, it would threaten to increase the concentration levels of CO2 in the atmosphere under the guise of sustainability and environmental protection. Including CCU without the proper safeguards risks distortive competitive effects resulting in a perverse incentive favouring usage over storage – increasing market barriers today facing large-scale deployment of CCS, resulting from market failures prevalent in the market. If unaddressed, a new market for CO2 usage without ensured storage is created at the expense of CCS – the latter contributing to actual climate change mitigation. ***It is***

therefore our recommendation that support for CCS remains in the GBER, while support for CCU is removed.