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Cepi response to the consultation on the revised General Block Exemption Regulation

Cepi, the Confederation of European Paper Industry, welcomes the possibility to comment on the revised General Block Exemption Regulation (GBER). The EU State aid rules have an important role in facilitating the green and digital transition of European industries. Therefore, we appreciate the Commission's attempt to align the GEBR with the currently revised Climate, Energy and Environment State Aid Guidelines (CEEAG).

The pulp and paper sector supports the EU objective of becoming climate neutral by 2050. Our sector has the potential to drive down greenhouse gas emissions with sustainable energy sources. From 2005, our industry has already made substantial reductions in carbon emissions by 29%, resulting in 24% carbon-intensity reduction. We have been early-movers in low-carbon investments, focusing on energy efficiency and renewable energy solutions. We plan to grow our business in Europe, which is a significant part of the circular economy and the bioeconomy.

Cepi gathers, through its 18 member countries, some 500 pulp, paper and board producing companies. Over the past years, our sector has annually invested €5.5 billion in combining competitiveness, sustainability and innovation. And we have a tremendous investment agenda ahead. There is a major task for the industry to become more sustainable and to reduce CO_2 emissions. State aid rules are very important to incentivise the deployment of solutions that are not yet cost-effective.

Cepi appreciates that the draft Regulation recognises emerging carbon-saving technologies. In this context, Cepi accepts broadening of the scope of the Regulation to include support for carbon capture and utilisation or storage (CCUS). The introduction of a new article on "Investment aid for resource efficiency and for supporting the transition towards a circular economy" is also welcomed.

Cepi's concerns about the proposed Regulation are further explained in the following pages.

1) Article 41 – Investment aid for the promotion of energy from renewable sources, renewable hydrogen and high-efficiency cogeneration

Cogeneration is one of the Best Available Technologies for our industry. It enables the pulp and paper industry to be one of the largest "prosumers" in Europe, with about half of the consumed electricity being produced on-site via highly efficient cogeneration.

Cepi supports the proposal to make an exemption for investment aid for high-efficiency cogeneration running on natural gas. We expect that renewable alternatives to natural gas, such as biogas, biomethane a hydrogen, will be only gradually be phased. The greater availability of low-carbon and renewable gases should ensure the compliance with the 2030 and 2050 climate targets.

For the reason of limited availability alternative fuels, the introduction of the new term "green cogeneration" may become discriminatory for our industry. Across the industry, we use 62% of biomass coming from side streams of our activities to fuel our operations. This makes the pulp and paper sector the largest renewable energy industrial user. But the situation varies from country to country.

Therefore, criteria for high-efficiency cogeneration in the Energy Efficiency Directive should be sufficient to ensure that today's investments by the pulp and paper industry can deliver energy efficiency also in the future. It is crucial that simultaneous production of electricity and heat, which is needed to produce paper, continues to be promoted.

Last, but not least, the aid intensity should remain at the level not exceeding 45%. The proposed aid level should prevent the move from the on-site electricity production from cogeneration, also running today on renewable fuels, to purchasing the electricity from the grid. Such a shift might have a negative impact on reaching higher emission reductions in Europe. Maintain the higher level of aid intensity can also play an important role for our sector in the context of the raising energy costs.

Cepi recommendations are:

- To remove the definition of "green cogeneration" (Art. 2 – point 108b)
- That the aid intensity shall not exceed 45% in Art. 41 – paragraph 7 – point b

2) Article 44 – Aid in the form of reductions in taxes under Directive 2003/96/EC

The pulp and paper sector is one of the energy-intensive industries. Therefore, we welcome the possibility to reduce energy taxes for energy-intensive companies. But we oppose making the tax reductions conditional. In practice, the proposed conditionality may lead to increased uncertainty for companies. It is not yet completely clear how the achievement of the conditions is going to be measured. The expectation to reduce emissions "well below the relevant benchmark" also allows considerable room for interpretations.

Cepi believes that the beneficiary's obligation to "conduct an energy audit in the sense of Article 8 of Directive 2012/27/EU of the European Parliament and of the Council, either as a stand-alone energy audit or within the framework of a certified Energy Management System or Environmental Management System, for example the EU ecomanagement and audit scheme (EMAS)" is sufficient to ensure that the aid is granted to projects with clear potential for carbon savings.

According to the Energy Efficiency Directive, energy audits are already supposed to facilitate energy savings. They are to draw a reliable picture of overall energy performance and the reliable identification of the most significant opportunities for improvement. The conditionality would be especially challenging for companies, which have already set numerous measurements and have already exploited for example most of their energy efficiency potentials.

By removing additional conditions, gather flexibility for the industry to invest in a variety of site-specific innovative technologies to reduce carbon emissions is ensured. The unnecessary administrative burden, for both the industry and the different national agencies or administrative units, can also be avoided. It needs to be considered that companies would potentially need to conduct detailed assessments of specific types of state aid granted and which of the company's investments were made explicitly to fulfill the proposed requirements.

Last, but not least, as the aid is granted in form of a reduction on levies (namely an eligible company does not directly receive any funds), this enterprise cannot invest any share of this amount in any projects.

Cepi recommendation is to remove Art. 44 – paragraph 5 – point b and to align further Art. 44 with the provisions in the new CEEAG.

3) Article 46 – Investment aid for energy efficient district heating and cooling

The pulp and paper industry is one of the large industrial providers of waste heat for public grids. The mills in our sector can provide industrial waste heat, which would otherwise not be used. This efficient use of existing resources could be slowed down if the aid intensity for district heating is reduced from 45 to 30%.

We oppose the proposal to increase the state aid for investments "using only renewable energy sources, including green cogeneration". This change could lead to an increase in the building of new biomass heating plants instead of using waste energy (which is not always completely based on renewable energy sources) first. This situation would support an inefficient utilisation of existing resources.

Cepi recommendation is that the aid intensity shall not exceed 45% in Art. 46 – paragraph 3 and Art. 46 – paragraph 4 is to be removed

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