Veolia Contribution to the consultation on the General Block Exemption Regulation

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We welcome the opportunity to comment on the Commission's proposal to revise the General Block Exemption Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty. Together with the revised Climate, Energy, and Environmental State Aid Guidelines (CEEAG), the state aid legal framework should allow targeted and efficient public support to enable faster deployment of low-carbon and efficient technologies that are key to reaching EU climate and energy targets by 2030.

Key messages from Veolia regarding the Commission's proposed draft:

District Heating Networks need a supportive state aid framework to contribute towards decarbonisation of the heating sector

The Energy Efficiency First principle should be guiding state aid rules applied to the heating sector

Investments in the buildings sector should also be particularly well framed to speed up renovation efforts

Carbon capture, use and storage necessities optimal conditions for its further development to contribute towards EU climate targets

1. District Heating Networks need a supportive state aid framework to contribute towards decarbonisation of the heating sector

We welcome several changes introduced in the new iteration of the GBER that will favor faster decarbonisation of the heating market taking place at local level, mainly through the intermediary of greener and more efficient district heating.

That requires a set of more precise definitions that are relevant for district heating networks:

- Article 2(19) of Directive 2018/2001/EU provides a more recent definition[1] of district heating, including decentralized sources, which should be used in the context of the revised GBER;
- We suggest using the term 'final customer' as defined in Directive 2012/27/EU , instead of the undefined and potentially misleading term 'final users';
- Similarly, the term 'zero or low carbon heat' is not defined and should be replaced with clearly delineated and tangible terms – namely energy from renewable sources, future proof cogeneration[2] and waste heat or cold. Regarding waste heat or cold, definition from directive 2018/2001/EU should be used. It is broader than just residual heat from industrial installations and covers data centers and the tertiary sector as well.

Article 1(1) - Article 2(124a) 'district heating' and/or 'district cooling' means district heating or district cooling as defined in Article 2, point (19), of Directive ~~2010/31/EU~~ ***2018/2001/EU*** *of the European Parliament and of the Council*;*

Article 1(1) - Article 2(124b) 'district heating and cooling systems', consist of heat generation facilities (heating/cooling production plants), the heating/cooling storage and distribution network (both 'primary'- or transmission- and 'secondary' network of pipelines to supply heat to ~~consumers~~ ***final users****). Reference to district heating is to be interpreted as district heating and/or cooling systems (DH/CS), depending on whether the networks supply heat or cooling jointly or separately;*

Article 1(1) - Article 2(130) (e) infrastructure used for transmission or distribution of heat/steam from multiple producers or users, based on use of ~~zero or low carbon heat, steam or residual heat from industrial applications or from production processes (waste heat)~~ ***energy from renewable sources, including future proof cogeneration or waste heat and cold****;*

~~Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).";~~

Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82–209)."

- We support the proposed new value for notification threshold of €50 million (instead of current €15) applying to investment aid for DHC systems **(in article 4)**. Together with the higher aid intensities, this value will provide quicker access to aid for large projects and help Member States develop suitable schemes to transform their heat market, in line with the Green Deal objectives.

[1] District heating' or 'district cooling' means the distribution of thermal energy in the form of steam, hot water or chilled liquids, from central or **decentralised sources** of production through a network to multiple buildings or sites, for the use of space or process heating or cooling;

[2] See section II, and part on cogeneration for a proposed remplacement of the notion of "green cogeneration" by "future proof cogeneration".

- In **article 38 regarding aid for investment aid for energy efficiency measures**, we support the exclusion from the scope of the GBER of any aid for the use of fossil fuels in buildings – such as aid for the installation of oil-fired, coal-fired, or gas fired boilers **(point 3d)**. We also support that aid for the installation of energy efficient gas must be restricted to cases where it replaces coal and oil and under strict conditions that it is phased out by 2050 at the latest. Still, the new provisions on building energy efficiency (both in **articles 38 and 39**) **should also cover aid for costs related to the connection of buildings to DHC as well as the optimization of building performance in cases such investments are needed to support better functioning of the network**. Hence, as a general rule, any aid to increase buildings performance should consider equally efficiency measures, meaning on-site generation of energy from renewable sources and connection to Efficient DHC.

Article 1 (25) - Article 38(b) and Article 1 (26) - Article 39(2a)

For the buildings referred to in paragraph 3a, the aid granted for the improvement of the energy efficiency of the building may be combined with aid for any or all of the following measures:

d) The installation of equipment for the digitalisation of the building, in particular to increase its smart-readiness, ***including smart substations and other digital solutions related to district energy, when efficient district heating is connected (that will be assessed under the conditions applicable to aid for district heating and cooling as set out in Article 46)****;* ~~*including*~~ *and passive in-house wiring or structured cabling for data networks and the ancillary part of the passive network on the property to which the building belongs but excluding wiring or cabling for data networks outside the property;*

Article 1 (25) - Article 38(f) 3d. Aid may also be granted for the improvement of the energy efficiency of the heating or cooling equipment inside the building. ***Aid for heating or cooling equipment directly connected to district heating and cooling systems will be assessed under the conditions applicable to aid for district heating and cooling as set out in Article 46.*** *Aid for the installation of oil-fired, coal-fired or gas-fired energy equipment shall not be exempted under this Article from the notification requirement of Article 108(3) of the Treaty. Aid may be granted for the installation of more energy-efficient gas-fired energy equipment provided that it replaces oil-fired or coal-fired energy equipment and that it is ensured that the gas-fired energy equipment is replaced by equipment using renewable fuels by 2050 at the latest;*

Article 1 (26) - Article 39(e) 11. Aid may also be granted for the improvement of the energy efficiency of the heating or cooling equipment inside the building. ***Aid for heating or cooling equipment directly connected to district heating and cooling systems will be assessed under the conditions applicable to aid for district heating and cooling as set out in Article 46.***

- Also, the proposed enlarged scope to aid for non-efficient systems will open up possibilities for Member States to develop schemes aiming at the modernisation of networks (**in article 46**). To achieve such an objective, a reference should be made to the definition of 'Efficient DH' (EED article 2(41)) instead of an unclear reference to 'standard of energy efficiency';
- According to the CEEAG draft, where a Member State invests in the upgrade of a district heating and cooling system without meeting the standard of energy efficiency, it needs to commit to start the works to reach that standard within three years following the upgrade works. The same requirement exists under RRF. Consequently, a similar approach should be replicated under the GBER in **article 46 (1a)**. It should be noted that works to upgrade DH networks typically take 2 to 3 years, as project development will occur outside of the heating season. Investment into reaching the Efficient DH level

would therefore need to start simultaneously with district heating network upgrade, which is not realistic and could prevent a large share of planned district heating refurbishments.

Article 1 (33) - article 46(1a) Aid shall only be granted for the construction or upgrade of district heating and cooling systems which are or are to become energy efficient. Where the system does not yet become energy efficient as a result of the supported work, the further upgrades required to ***fulfill the definition of Efficient DHC*** ~~*reach the standard of energy efficiency*~~ *shall commence within three years* ~~***from***~~ ***following the*** ~~***start***~~ ***completion*** *of the supported works.*

- Regarding the conditions for the works on fossil fuel-based generation facilities, we suggest ensuring compliance with the 2030 goals and the Green Deal climate-neutrality objective by referring to measures set out in the national energy and climate plans.

Article 1 (33) – article 46 (1b) Aid shall not be granted for the construction or upgrade of fossil fuel-based generation facilities, except for natural gas. Aid for the construction or upgrade of natural gas-based generation may be granted only where compliance with the 2030 and 2050 ***Union´s*** *climate targets-is ensured* ***via measures set out in the national climate and energy plan.***

- **Paragraph 1c. of article 46** refers to storage and distribution networks that transmit heating and cooling generated based on fossil fuels. Hence, point (c) in paragraph 1c. should also refer to fossil fuels in general and not specifically to natural gas.

Article 1 (33) – article 46 (1c). Aid for upgrades of storage and distribution networks that transmit heating and cooling generated based on fossil fuels may only be granted where all of the following conditions are met:

(c) in case of an upgrade to the storage or network distributing heating and cooling generated from ~~***natural gas***~~ ***fossil fuels*** *compliance with the 2030 and 2050* ***European Union´s*** *climate targets is ensured via measures set out in the national energy and climate plan.*

- The alternative aid intensity of 30 % in paragraph **3 of article 46** is insufficient in case of refurbishment of district heating networks or construction of new networks. District heating networks are highly capital-intensive and a higher aid intensity is typically required to trigger the necessary investment. Consequently, while we are supporting the funding gap approach – and its application to both network investment and production, we underline that this method may not lead to the level of predictability required by operators and also cause some confusion.[3] Therefore while keeping the option of the funding-gap approach (**in article 46(5)**), a reference to a (higher) level of aid intensity under **paragraph 3 of article 46** will also be useful to provide necessary certainty for investors and therefore open more possibilities for funding of new projects.

Article 1 (33) – article 46 (3)

[3] Indeed, in case when heat prices are regulated by a regulatory authority based on eligible cost and reasonable profit and it follows from regulatory rules applied that any investment aid has to be effectively passed on to customers connected to DH, any aid intensity is compatible with the funding gap approach. This leads to confusion as to the level of aid intensity that should be set.

*3. The aid intensity shall not exceed 30 % of the eligible costs **for production plants and 60 % for the network refurbishment, optimisation and extension.** The aid intensity may be increased by 20 percentage points for aid granted to small undertakings and by 10 percentage points for aid granted to medium-sized undertakings.*

2. The Energy Efficiency First principle should be guiding state aid rules applied to the heating sector

Energy efficiency first principle also means optimizing energy efficiency measures on the supply side of the equation. Regarding the heating sector, two specific solutions are particularly interesting regarding energy savings they can generate: **waste heat recovery** and **high efficiency cogeneration**. We want to propose the following changes to make sure GBER enables their fair and adequate support:

Waste heat

- GBER should refer to the definition of waste heat as defined in article 2(9) of Directive 2018/2001/EU to cover heat from industrial installations, including from the tertiary sector.

Article 1 (1) - Article 2

(new) 'waste heat and cold' means waste heat and cold as defined in article 2 point (9) of the directive 2018/2001/EU.

- The Directive (EU) 2018/2001 introduced the principle of equal treatment between renewable energy sources and waste heat. To ensure coherence with other pieces of the EU legislation, waste heat recovery should also be covered under **articles 41, 46(1c) and 46(4)**.

*Article 1 (28) - Article 41 Investment aid for the promotion of energy from renewable sources, **waste heat**, renewable hydrogen and high-efficiency cogeneration*

*7. The aid intensity shall not exceed: (a) 30 % of the eligible costs for the production of energy from renewable energy sources, **waste heat**, renewable hydrogen and high-efficiency cogeneration; (....)*

*9. The aid intensity may be increased by 15 percentage points for investments using only renewable energy sources, **only waste heat,** including green cogeneration.*

- It is not realistic to expect that by 2030 district heating systems will use only energy from renewable energy sources. In line with the Energy Efficiency First principle, projects with a very high share of renewable energy and/or waste heat should be entitled for the green bonus (that is a higher aid intensity).

*Article 1 (33) – article 46 **(**1c). Aid for upgrades of storage and distribution networks that transmit heating and cooling generated based on fossil fuels may only be granted where all of the following conditions are met:*

*(a) the distribution network is or becomes suitable for the transmission of heating or cooling generated from renewable energy sources**, waste heat or carbon neutral sources**;*

*Article 1 (33) – article 46 **(**4) 4. The aid intensity may be increased by 15 percentage points for investments using only renewable energy sources, including green cogeneration **and waste heat.***

Cogeneration

As shown by Artelys study[4], cogeneration will bring multiple benefits and will help build a net-zero carbon neutral society by 2050 - by maximizing the efficiency and integration of energy systems at the lowest cost. Hence, it requires continuous support, in particular when it comes to high efficiency cogeneration.

- The definition of "green cogeneration" should be adapted to reflect the changing role of CHP in the energy transition, as an enabling technology for a resilient, decentralised and carbon neutral European energy system by 2050. In line with the EU's 2030 objectives for higher ambition on GHG reductions, energy efficiency and renewable energy, the focus should be on optimizing CHP for the efficient switch away from coal and towards lower carbon and increasingly renewable energy systems. As long as the overall energy system (including electricity, heat and gas) is not close to 100% RES shares, CHP is valuable for displacing less efficient non-RES generation. Many CHP systems are capable of running on 100% RES, but do not have access to sufficient renewable sources or cannot afford it just yet. In addition, biomass CHP plants require a small share of natural gas to maintain operational capability. Therefore, the higher standard for CHP should not be 100% RES, but the capability to run on 100% RES and contribute towards a 100% RES and decarbonised energy system. This approach is recognised at EU level in the RRF Technical Guidance on "Do no significant harm", which refers to future-proof, flexible and efficient gas-fired Combined Heat and Power. Therefore, we propose the 15% aid identity bonus should be offered to "future proof cogeneration", which uses predominantly renewable energy or which is enabled for the use of renewable energy;

*Article 1(1) - article 2 "(108b) '~~green~~ **future proof** cogeneration' means cogeneration using ~~100 %~~ **predominantly** renewable energy sources as an input for the production of heat and power or, in the case of gas based cogeneration, it is enabled for the use of renewable and low-carbon gases;";*

[4] The Artelys study "Towards an efficient, integrated and cost-effective net-zero energy system in 2050: the role of cogeneration" was commissioned by COGEN Europe and is supported by 26 industry partners spanning across the entire energy value chain. Building on the European Commission's ambitious 1.5 TECH scenario in the Long Term Strategy, the study optimises the uptake of cogeneration in terms of both efficiency and flexibility across integrated heat and power systems. The study finds that there is cost-effective potential for cogeneration as a key solution in a highly electrified, highly renewable and low demand net zero emissions energy system. When considering higher shares of bioenergy sources, cogeneration uptake is even more relevant fostering the efficient use of these fuels. Optimising cogeneration as part of integrated energy systems leads to energy system cost reduction of €4.1-€8.2 billion and allows to reduce CO2 emissions by 4-5 MtCO2 annually. Cogeneration will displace less efficient power-only and heat-only generation, contributing 13-16% of total power and 19-27% of total heat production in 2050. Optimised cogeneration will operate flexibly and efficiently when and where needed, especially at times of peak demand by heat pumps and electrical vehicles and insufficient wind and sun generation.

- CHP, in particular micro-CHP, can be an extremely important solution for ensuring not only significant energy savings on a building level but also it can contribute to its smart readiness, producing electricity during peak times and reinforce the electricity grid, through demand response mechanisms. Therefore, we suggest including it in the article related to energy efficiency measures in the building sector.

Article 1(25) - article 38 (3b) For the buildings referred to in paragraph 3a, the aid granted for the improvement of the energy efficiency of the building may be combined with aid for any or all of the following
measures:
(a) the installation of integrated on-site renewable energy installations generating electricity, heat or cold~~;~~ ***, including micro-CHP****;*

- In addition to investment aid, high efficiency cogeneration should be eligible for support under a new article **42(a) (see below)** and **43** (**Operating aid for the promotion of energy from renewable sources and renewable hydrogen in small scale installations and for the promotion of renewable energy communities**);
- Also, the current threshold of €15 million defined in **article 4 for article 42** should be at least doubled in order to support the achievement of climate and energy targets and promote the most efficient use of renewable energy sources. This new threshold should also apply to operating aid for high-efficiency cogeneration as under (new) article 42a and article 43.

Article 1(2) - article 4 (e) point (v) is replaced by the following:

"(v) for operating aid for the promotion of electricity from renewable sources, as referred to in Article 42, ***operating aid for high efficiency cogeneration, as referred to in Article 42a*** *and operating aid for the promotion of energy from renewable sources,* ***high efficiency cogeneration*** *and renewable hydrogen in small scale installations and for the promotion of renewable energy communities, as referred to in Article 43: EUR* ~~***20***~~ ***30*** *million per undertaking per project;"*

- The aid intensity of high-efficiency cogeneration should be increased, particularly regarding investments where district heating networks transition from coal to gas, in Central and Eastern Europe. Higher aid intensities in article **41** are necessary to ensure those projects can be developed and sustained, while further transition to low-carbon fuels is being prepared and implemented;
- In addition, in point 9 of **article 41**, it should be specified that a) higher aid intensity applies to "future proof cogeneration" and b) in case this future proof cogeneration installation is based on biomass and is complemented with installations using a small percentage of fossil fuels for starting/firing the biomass facility (because of low calorific value of biomass), the later should also be considered as eligible for bonus. This way, we will ensure effective coherence with the revised EU ETS directive.

Article 1(26) - Article 41 Investment aid for the promotion of energy from renewable sources, renewable hydrogen and high-efficiency cogeneration

7. The aid intensity shall not exceed: (a) 30 % of the eligible costs for the production of energy from renewable energy sources, renewable hydrogen and high-efficiency cogeneration; (....)

9. The aid intensity may be increased by 15 percentage points for investments using only renewable energy sources, including ~~*green cogeneration*~~ ***future proof cogeneration****.* ***In case of biomass based cogeneration, at least 95% of biomass must be proven to be sustainable to benefit from the bonus****.*

- The current threshold of €150 million for **article 42** should be at least doubled in order to support achievement of climate and energy targets. It should also apply to operating aid for high-efficiency cogeneration as under (new) article 42a and article 43.

Article 1(2) - article 4 (f) the following point (va) is inserted:

"(va) for operating aid for the promotion of energy from renewable sources, ***high efficiency cogeneration*** *and renewable hydrogen in small scale installations and for the promotion of renewable energy communities, as referred to in Article 43, and for operating aid for the promotion of electricity from renewable sources, as referred to in Article 42* ***and for operating aid for the promotion of high efficiency cogeneration in (new) Article 42a*** *: EUR* ~~***250***~~ ***300*** *million per year taking into account the combined budget of all schemes falling under the respective Article;"*

- Operating aid for promotion of high-efficiency CHP will play a major role in some Member states to fulfill climate and energy objectives, in particular in countries equipped with large district heating networks. Providing aid to such a solution via the means of competitive bidding processes has a very limited impact on the internal market and should be allowed under the GBER.

Article 1(29a) the following Article 42a is inserted:

"Article 42a
Operating aid for the promotion of electricity from high-efficiency cogeneration

1. ***Operating aid for the promotion of electricity from high-efficiency cogeneration shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty, provided that the conditions laid down in this Article and in Chapter I are fulfilled.***
2. ***High-efficiency cogeneration shall not use fossil fuels with the exception of natural gas where compliance with the national climate and energy plan in view of compliance with the 2030 and 2050 Union´s climate targets is ensured.***
3. ***Aid shall be granted in a competitive bidding process on the basis of clear, transparent, non-discriminatory and objective criteria, defined ex ante in accordance with the objective of the measure and minimising the risk of strategic bidding. Those criteria shall be published at least 6 weeks in advance of the deadline for submitting applications, to enable effective competition. The competitive bidding process shall fulfil all of the following criteria:***

(i) the budget or volume related to the bidding process shall be a binding constraint in that it can be expected that not all bidders would receive aid;

(ii) the expected number of bidders shall be sufficient to ensure effective competition;

(iii) the design of undersubscribed bidding processes during the implementation of a scheme shall be corrected to restore effective competition in the subsequent bidding processes or as soon as possible;

(iv) ex post adjustments to the bidding process outcome (such as subsequent negotiations on bid results or rationing) shall be avoided as they may undermine the efficiency of the process's outcome.

4. ***The bidding process can be limited to specific technologies where a process open to all generators would lead to a suboptimal result.***
5. ***Aid shall be granted as a premium in addition to the market price whereby the generators sell their electricity directly in the market.***
6. ***Aid beneficiaries shall be subject to standard balancing responsibilities. Beneficiaries may outsource balancing responsibilities to other undertakings on their behalf, such as aggregators.***
7. ***Aid shall not be paid for any periods where prices are negative. For the avoidance of doubt, this applies as of the moment when prices turn negative.***
8. ***Aid shall only be granted until the plant generating the electricity from high-efficiency cogeneration has been fully depreciated in accordance with generally accepted accounting principles. Any investment aid received shall be deducted from the operating aid.";***

- **Article 43 (Operating aid for the promotion of energy from renewable sources and renewable hydrogen in small scale installations and for the promotion of renewable energy communities)** should also apply to small scale high-efficiency cogeneration installations, which are an important element for achieving climate and energy targets of the EU, in particular in the building sector;
- The suggested threshold of 400 kW for heat generation is very low and would hamper the necessary transformation and decarbonisation we need to see on the heating market. We refer here to the 1 MW threshold suggested in the Climate Energy and Environmental State Aid Guidelines (CEEAG). The same threshold should apply to all projects, irrespectively of the size of the recipient of the aid.

Article 1 (30) (a) - Article 43 is amended as follows:

Operating aid for the promotion of energy from renewable sources, ***high efficiency cogeneration*** *and renewable hydrogen in small scale installations and for the promotion of renewable energy communities*

*1. Operating aid for the promotion of energy from renewable sources****, high-efficiency cogeneration*** *and renewable hydrogen in small scale installations and for the promotion of renewable energy communities shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty, provided that the conditions laid down in this Article and in Chapter I are fulfilled.*

2. Operating aid for small-scale installations shall be exempted from the notification requirement of Article 108(3) of the Treaty only up to the following size thresholds:

(b) for heat generation and renewable gas production technologies: projects below ~~***400 kW***~~ ***1 MW*** *installed capacity.*

- We do not see a reason for a special maximum capacity for renewable energy communities. In order to maintain the integrity of the heating market, the same rules

and level of aid intensity should apply to all projects serving the same purpose regardless of the kind of ownership;

- **Article 43** should apply also to small scale high-efficiency cogeneration installations which will play a role to achieve the EU climate and energy targets. High-efficiency cogeneration installations should not use fossil fuels other than natural gas, where compliance with the national climate and energy plan is ensured.

Article (1) (30) (b) - *Article 43*

(b) the following paragraphs 2a and 2b are inserted:

"~~2a. Aid to renewable energy communities shall be exempted from the notification requirement of Article 108(3) of the Treaty only for projects with an installed capacity of less than 1 MW undertaken by entities falling with the definition of renewable energy community.~~

"2a. Operating aid to high efficiency cogeneration shall be exempted from the notification requirement of Article 108(3) of the Treaty only if it is not for fossil fuel fired cogeneration installations, with the exception of natural gas where compliance with national climate and energy plan in view of the 2030 and 2050 Union´s climate targets is ensured.

3. Investments in the buildings sector should also be particularly well framed to speed up renovation efforts

- The amended article 38 provides details about the eligibility of state aid measures for certain categories of buildings. While CEEAG does not introduce any discrimination between buildings categories (4.2.2.(132), the draft GBER excludes all tertiary buildings. Hence buildings such as public and private hospitals, airports, logistic centers and data centers are not in the scope of the article. This should be corrected as follows:

Article 1(25) - article 38 (3a). Provided that the aid induces a reduction in primary energy demand of at least 20 % compared to the situation prior to the investment in the renovation of existing buildings and primary energy savings of at least 10 % compared to the threshold set for the nearly zero-energy building requirements in national measures implementing Directive 2010/31/EU in the case of new buildings, the entire investment costs necessary to achieve a higher level of energy efficiency shall constitute the eligible costs, where the investment relates to the improvement of the energy efficiency of one of the following:
(i) residential buildings;
(ii) buildings dedicated to the provision of education or social services;
(iii) buildings dedicated to activities related to public administration or to justice, law enforcement or fire-fighting and civil protection services;
(iv) buildings in the tertiary sector (commercial buildings and offices)
*(~~i~~v) buildings referred to in (i), (ii)**, ~~or~~** (iii) **or (iv)** and in which activities other than those mentioned in (i), (ii), ~~or~~ (iii) **or (iv)** occupy no more than 50 % of the internal floor area.*

- In addition, we propose to extend the eligibility of energy efficiency measures in all types of buildings to the following - in order to take into better consideration the impact of improved air quality and to make sure the new GBER is consistent with revised Energy Performance of Buildings Directive.

Article 1(25) - article 38 (3b) For the buildings referred to in paragraph 3a, the aid granted for the improvement of the energy efficiency of the building may be combined with aid for any or all of the following
measures:

(e) ***other investments that improve the energy or environmental performance of the building, including investments in improvement of indoor air quality****, in green roofs and equipment for the recovery of rain water;*
(d) ***non-material investments (e.g. staff training, consumer behavior, deployment of new software, project costs).***

- Provisions on buildings in **article 38** refer to a higher aid intensity for projects achieving a higher level of energy savings. To make sure higher levels of energy savings are being actually achieved, the provisions should refer to 'certified or guaranteed' savings to ensure that public money goes to those projects managed by professionals with a focus on real operational savings, reached over the long-term (for instance, when buildings are under an energy performance contracting agreement). The certified energy saving conditions should be applicable both to prove the baseline energy savings as well as higher aid intensities (see below).

Article 1(25) - article 38 (3) (a) Provided that the aid induces a ***certified or guaranteed*** *reduction in primary energy demand of at least 20% compared to the situation prior to the investment in the renovation of existing buildings and primary energy savings of 10% compared to the threshold set for the nearly zero-energy building requirement (...)*

Article 1(25) - article 38 (6) (a)
The aid intensity may be increased by 15 percentage points for aid granted to improve the energy efficiency of the buildings referred to in paragraph 3a, where the energy efficiency improvements lead to a ***certified or guaranteed*** *reduction in primary energy demand of at least 40 % in the case of renovation of existing buildings.*

- The current approach discriminates between large undertakings and SMEs. The same aid intensities should apply to all undertakings with a view to attracting also large companies with a track record in the field of massive refurbishment of buildings. Aid intensity must take into account the level of savings, possibly the beneficiary of the aid, but not the nature of the provider. Therefore, as demonstrated above, we would suggest an increase of aid intensity for undertakings subject to long-term guarantees for real, duly monitored and enforced energy savings, a guaranteed share of renewable energy as well as enhanced air quality such as those provided by comprehensive energy performance contracting schemes. Hence we suggest the following modification.

~~*Article 38 (5) The aid intensity may be increased by 20 percentage points for aid granted to small undertakings and by 10 percentage points for aid granted to medium-sized undertakings.*~~

- A similar size related discrimination is noted in point 7 of article 38, where the eligibility of aid for energy performance contracting (EnPC) is restrcited only to SMEs or small mid-caps (in other words, aid for EnPC perceived by larger companies would have to be systematically notified) . Large companies benefit from significant expertise stemming from their multicountry presence and economies of scale that can be put to the benefit of clients (public authorities, tertiary buildings), and hence should not be unduly discriminated while bidding for contracts on the basis that they will have a difficult access to any potential state aid perceived on the behalf of the client. Hence the following wording should be removed:

Article 1(25) - article 38 (7) Aid for the improvement of the energy efficiency of buildings may also

relate to the facilitation of energy performance contracting subject to the following cumulative conditions: (a) the support takes the form of a loan or guarantee to the provider of the energy efficiency improvement measures under an energy performance contract, or consists in a financial product aimed to refinance the respective provider (for example, factoring or forfaiting); (b) the nominal amount of total outstanding financing provided under this paragraph per beneficiary does not exceed EUR 30 million; ~~(c) the support is provided to SMEs or small mid-caps that are providers of energy performance improvement measures;~~

4. Carbon capture, use and storage necessities optimal conditions for its further development to contribute towards EU climate targets

As underscored in our reply to the EC consultation on restoring sustainable carbon cycles from October (see Veolia contribution), it is crucial that both companies and governments develop robust CCUS strategies focussing first on reducing emissions, through CCUS deployment and other decarbonisation options, as fast and as much as possible, before balancing any emissions that cannot be avoided by an equivalent amount of negative emissions through carbon removal. This is the only way to meet the EU commitments regarding the 2030 and 2050 targets. In this perspective, we welcome the enlarged focus on CCUS projects.

- According to all scenarios within the 2030 Climate Target Plan, the negative emission technologies including bioenergy with carbon capture and storage need to play a bigger role to reach carbon neutrality. Investments in these technologies should start and accelerate in the current decade and speed up even further afterward. Sufficiently high state aid notification exemption threshold may help trigger more support for small and medium-size projects in the district heating networks, which already are being implemented. Hence we propose the following insertion:

Article 1 (1) – Article 2 (c) (ay) the following points (131a) and (131b) are inserted:

New (131c) 'Bioenergy with carbon capture and storage' or BECCS means a set of technologies that captures the (CO2) emitted from power plants, combined heat and power plants, heat only plants and industrial plants based on sustainable biomass, transports it to a storage site and injects the CO2 in suitable underground geological formations for the purpose of permanent storage of CO2. In this way delivered are negative emissions.

- The proposed threshold proposed for article 36 that covers investments in CCUS, and should also cover BECCS (of EUR 20 million per undertaking per investment project) might be largely insufficient for this type of technology to develop rapidly enough. Indeed, the capex for a plant of ~100Kt of CO2 emissions per year is currently estimated to be around €100 million euros. The levelized cost of capture is €85 - €120/metric tonne of CO2. This figure does not include the levelized costs of CO2 transportation and Storage which would be €10-€20/tCO2, and is in need of faster scale-up and development as well. Given those current costs, and while the CO2 prices stemming from the EU ETS has not yet reached the necessary levels to make the investments in the CO2 economically viable, a much more important public support will be necessary in the coming years. Hence, we propose the following:

Article 1 (2) – Article 4 (c)

*(s) for investment aid for environmental protection, unless otherwise specified: EUR ~~20~~ **30** million per undertaking per investment project;*

*(sa) for aid for dedicated infrastructure and storage referred to in Article 36, paragraph 5: EUR ~~20~~ **30** million per project;";*

- When reviewing the GBER, we also want to make sure that the relevant investment costs are being taken into account when calculating the amount of eligible aid to be exempted from the notification obligation. While **article 36(2a)** specifies that the investment costs shall not relate to the CO2-emitting installation (industrial installation or power plant), but solely to the CCUS project, we want to point out to the fact that there might be cases where the CO2 capture plant is installed on an existing CO2 emitting facilities (cement plant, steel plant, power plant or incinerator). This requires a modification/optimisation/addition of those facilities due to the installation of the CO2 capture plant. Hence, the investments associated both directly or indirectly to the CO2 capture (performance enhancement, pre-treatment to protect CO2 capture amine, etc...) should be eligible and considered as CCUS investments.

*Article 1 (21) – Article 36 (2a). "2a. Investments in carbon capture and utilisation or storage ('CCUS'), **including BECCS** shall fulfil the following cumulative conditions: (....)*

*(c) the investment costs shall ~~not~~ relate to **both** the CO2-emitting installation (**such as adaptation of** industrial installation or power plant), as well as to the CCUS **facility** ~~project~~.*

- In light of the need to attract more private investments into these projects, we support an increased level of aid intensities from 20% (as proposed in the draft) to 40%, aligned with the value applying to Hydrogen projects. As an alternative, the funding gap could apply to ensure that the level of aid is commensurate with local conditions (as allowed in the CEEAG).

*Article 1 (21) – Article 36 (6a). In case of investments relating to CCUS, the aid intensity shall not exceed **~~20~~ 40%, or the funding gap approach should determine the level of aid.***