Consultation on changes to the state aid General Block Exemption Regulation (GBER)

Luossavaara-Kiirunavaara AB (publ) - LKAB - is an international mining and minerals group that offers sustainable iron ore, mineral and special products. LKAB manufactures and delivers highly processed iron ore products to the global steel market and most of the iron ore products are sold to European steel mills. LKAB is leading the transformation of the iron and steel industry with the aim of developing carbon dioxide-free processes and products until the year 2045. LKAB is one of Sweden's oldest industrial companies and is 100 percent owned by the Swedish state.

Summary

LKAB promotes a revision of the GBER that will facilitate the transition in the entire value chain. LKAB believes that to meet the climate goals and to facilitate the implementation of the EU's' green deal, state aid should be directed at investments in technologies that lead to reduced climate impact and an increased share of renewables. In an open and integrated market, it is important that all actors can operate on equal terms, where taxes and state aid do not contribute to a distortion of competition in the internal market.

LKAB has taken note of the Commission's proposal for constitutional amendments to the Block Exemption Ordinance and wishes to make the following comments:

• We recommend that the scope of the block exemption be extended to support renewable hydrogen.
• We recommend that aid be granted for renewable hydrogen in Article 41.
• We reject that the definition of renewable hydrogen 102c refers to a delegated act that does not yet exist or is in force.
• We reject that the definition of low carbon hydrogen include natural gas.
• We reject that Article 36 covers investment aid for low-carbon hydrogen.
• We reject the proposal in Article 44 to introduce compatibility conditions energy tax reductions with the implementation of energy efficiency measures based on energy surveys.

Comments

Definition 102 c

LKAB rejects that the definition of renewable hydrogen refers to a delegated act that is not yet in force and which the Commission has today neither presented, sent out for consultation nor adopted. Conditions for how renewable hydrogen is to be produced, emissions are calculated for and traced are regulated in the Renewables Directive (RED II) and renegotiated within the framework of Fit for 55 (RED III). The delegated act under RED II is limited to the use of hydrogen in the transport sector, which is likely to lead to a revision in connection with enlargement to industrial use as well. Revision of EU directives takes place more often than revision of GBER and definitions in GBER should therefore not include technical requirements that are already regulated in other directives and risk becoming obsolete before the new guidelines have even been decided. GBER should only refer to relevant definitions that apply under the directives and for renewable hydrogen generally refer to the Renewable Energy Directive. Renewable hydrogen should therefore be defined as hydrogen produced by electrolysis of renewable electricity.

Definition 102 e

LKAB rejects that the definition for low carbon hydrogen include production from natural gas. Low carbon hydrogen should exclude fossil-based hydrogen all together as it is significantly cheaper to make hydrogen from natural gas than to produce renewable hydrogen by electrolysis. State aid for natural gas-based hydrogen would thus distort competition in the market.

Definitions should not be included in GBER

Definitions of renewable and low-carbon hydrogen should be fixed in energy legislation. We see a need for better definitions of energy sources in EU legislation. Today, it is unclear what falls under certain definitions (e.g., renewable fuels of non-biological origin) whereas other energy sources (renewable hydrogen, electro fuels) are not even defined, yet. Still, in our opinion it should not be defined in the GBER what renewable (Article 2-point (102c)) and low-carbon (Article 2 (point 102e)) hydrogen is. The GBER shall refer to the energy legislations.

Renewable hydrogen should therefore be defined in the EU Renewable Energy Directive. Likewise, low-carbon hydrogen, should be defined in the upcoming decarbonized gas and hydrogen legislation.

Article 36 Investment aid for environmental protection, including climate protection

The article is proposed to allow investments in equipment, machinery and industrial production that uses renewable fuels and natural gas. LKAB rejects that Article 36 enables investments in natural gas through support for so-called low-carbon hydrogen and considers that the definition of low-carbon hydrogen (102 e) should not include fossil-based hydrogen. Article 56 should also be revised as above.

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

The article proposes to grant investment aid for storage projects granted based on a support scheme open to combined renewable energy and storage projects (behind the meter), if both components are installed and put into service at the same time. The storage investment shall have a maximum of the same capacity as the interconnected investment in renewable energy.

LKAB recommends that Article 41 be limited to renewable hydrogen.

LKAB rejects that investment support for storage projects according to Article 41 is limited to dedicated production of renewable electricity "behind the connection point". Requirements for new renewable electricity production exclusively to produce renewable hydrogen will counteract the conversion of the business to a fossil-free steel value chain. Existing renewable electricity production that is in surplus in northern Sweden must be able to be used to produce renewable hydrogen and electricity production cannot be directly connected to the hydrogen plant but must be able to be traded on the electricity market.

Article 44 Aid in the form of tax reductions under Directive 2003/96 / EC

Article 44 (5) states that tax reductions in favour of energy-intensive industries shall be exempted from the notification obligation in Article 108 (3) of The treaty, however, stipulates that large companies must carry out an energy inspection and invest and implement measures within three years.

LKAB rejects the proposal to condition energy tax reductions with the implementation of energy efficiency measures based on energy surveys, as we believe that it will be administratively cumbersome to handle for both the companies concerned and for the electricity network companies that handle the tax liability for energy tax on electricity.

Given that the Commission's proposal to no longer differentiate between a tax reduction above or below the minimum tax levels combined with a proposal for a revised ETD where it is proposed that no distinction should be made in the taxation of commercial and non-commercial use of, for example, electricity entails these changes a significantly higher tax on electricity consumed in industry if the proposals are implemented.