

## REMISSYTTRANDE

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### CONTRIBUTION ON SUGGESTED CHANGES IN THE GENERAL BLOCK EXEMPTION REGULATIONS (GBER)

IKEM – Innovation and chemical industries in Sweden, represent energy intensive industries in a variety of industrial sectors; oil refineries, chemical industry, plastic – and rubber industry, cement industry, stone wool industry, sugar industry, vegetable and animal fatty acids industry, and non-ferrous metal industry.

Our members companies manufacture important building blocks needed in all value chains. Therefore, the ability for our industries to innovate and supply their customers is an important enabler for the successful transition to climate neutrality in all parts of the society. Our industries are highly dependent on exports to the global markets and hence subjected to global competition.

#### **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. IKEM 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 provision allows for flexible solutions and different value chain set-ups.

The aid intensity is proposed to be limited to 20%. IKEM 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 Sweden 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".

### **Operating aid should be extended for all uses not only for fuel**

Operating aid for the production of biogas and other renewable gases should be extended to apply to all uses, such as industrial feedstock, and not exclusively to fuel.

#### Article 43

IKEM does not agree with the proposal that operating aid for renewable gas is to be limited to projects below 400 kW installed capacity. The current version of the GBER permits operating aid for biofuel production plants with an installed capacity of less than 50 000 tons per year. IKEM proposes that this provision should remain for the production of biogas and other renewable gases and be extended to apply to all its uses and not only to fuel use. This measure is very important to the introduction of a production support scheme to biogas, as proposed in the Swedish budget bill to be introduced in Sweden in 2022.

#### **Differentiation between consumers and industry must continue**

#### Article 44

In Sweden the energy taxation is differentiated between consumers and industry for competitiveness reasons. This provision is based on the rules in the Energy tax directive (ETD). The possibility to do so 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.

IKEM 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. Requirements on industry to make specific investments for energy efficiency as a precondition to receive a tax reduction negates the purpose of the reduction.

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 energy tax. Industry in member states with a high level of nominal energy tax will have to invest more than industries in a member state with lower level of nominal energy tax, even if they both pay the same tax.

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