

EU ETS state aid guidelines

CARBON MARKET WATCH . ORG

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OBJECTIVES STATE AID

Three key principles for State Aid included in draft guidelines

1. Necessity of the aid

- The risk of carbon leakage due to indirect costs is genuine and significant?
- Electricity prices large industrial consumers have increased under the EU ETS? In all member states?

2. Proportionality of the aid

3. Behavioral change due to the aid

- Achieve lower GHG emissions than without the aid?

Has to be proven

OBJECTIVES STATE AID

Other key issues

- Distortions to the internal market are minimal?
- Polluter pays principle?
 - Not necessarily supporting the most energy/emissions efficient installations
 - Potential for the exact opposite
- Will shorter list lead to less or more taxpayer money handed out?
- Which playing field are we levelling? Is climate policy ‘unlevelling it’?
 - Hungary: 50 EUR/MWh – Germany 120 EUR/MWh

(Source: EC “Energy prices and costs in Europe” 2017 prices for electro intensive industry)

Will the Impact Assessment answer these questions?

ELIGIBILITY

- GVA assessment should be one of *core quantitative criteria (1,5%)*
- *Qualitative assessment should be excluded*
- Installations that do not purchase from the grid should not be covered
 - Self-generating facilities
 - Dedicated RE/low-carbon capacity
 - Windfall profit due to compensation for “opportunity cost”

INTENSITY AND DEGRESSIVITY

- Good that some variables have become more dynamic, but more is necessary
- Annual and automatic updates:
 - Regional CO2 factors
 - Benchmarks
- Inclusion of sunset clause and general degressivity
 - Lock in till 2030
 - Need to limit aid dependency



CONDITIONALITY

- Taxpayer money should be used efficiently and effectively
 - Conditions should lead to subsidies having public AND climate benefits
- Monitoring, reporting and enforcement of these conditions will be tricky
 - Independent verification and transparency is necessary
- Energy audits: weak condition
 - Longer payback times for investments needed
- Inclusion of additionality criteria
- Use of ALL subsidies



CONCLUSIONS

The draft guidelines are good step forward...

Conditionality is valid, and needs strengthening

RE PPA contracts are covered

List has been reduced (should not be expanded again)

Some key variables would be closer to reality

Transparency and Reporting and Monitoring sections improved

CONCLUSIONS

... however there are still many points for improvement

Lack of evidence that scheme is necessary and an efficient use of taxpayer money

Large potential for disruptions to the internal market

Public reporting on how conditions have been met

Proposal is incomplete – key elements missing (e.g. CO2 factors)

Qualitative assessment should be scrapped

CO2 factors should be based on full energy mix and should be updated annually, just as benchmarks

Explicit delinking from EU ETS revenues

Art 10c derogation – explicitly exclude fossil fuels

Sunset clause and degressivity is necessary

THANK YOU

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