

Comments on "Community Guidelines for State Aid for Environmental Protection, from International Network for Sustainable Energy (INFORSE) – Europe, 25/6 2007

General comments

In view of the strong incumbent energy industry, the increasing market distortion in the energy market, and the urgency to rapidly change the paradigm for production and use of energy with increasing share of all renewable energies and higher energy efficiency in the EU-27, INFORSE-Europe calls for a very courageous approach to state aid for renewable energies and energy efficiency, in particular in regional and local energy demand and supply and with independent power production.

INFORSE-Europe appeals to the Commission to carefully revise the guidelines in order to ensure a "cordon sanitaire" against all danger and assault of linking the incumbent and unsustainable coal and nuclear technologies with the future energy which is renewable energies and efficiency.

As previously expressed¹, INFORSE-Europe supports the introduction of a general block exemption for state aid for sustainable energy (renewable energies and energy efficiency), as had been proposed by the European commission itself in first drafts of the current guidelines. This would make planning in the various EU 27 states and especially in the strong number of member states which are just beginners in this field more reliable and time efficient. It would also help very serious problems that some of our members have experienced, i.e. when a country² have limited support to renewable energy development unnecessarily because of the state aid guidelines.

The limitation of investment state aid to a fraction (50-80%) of net extra costs of energy savings, renewable energy, and district heating is a serious barrier to design of attractive promotion schemes for sustainable energy solutions. This permitted fraction must be 100%.³

Comment to individual paragraphs in the current draft

Par. 41 (1.5.3, p. 12, last sentence) There is no reason to favour acquisition of clean transport vehicles over other measures to provide cleaner modes of transport. Often other measures, (such as modal shifts and avoidance of unnecessary transport) are more efficient ways of reducing transport-related pollution than cleaner vehicles. Therefore is proposed to add at the end "*....clean transport vehicles and establishment and operation of cleaner modes of transport.*"

¹ Comment sent from INFORSE-Europe for public consultation September 15, 2005 to European Commission, Directorate General for Competition

² In a particular case the UK have limited support to new biomass actors to "de minimus" support of 33,000 Eur/year and 25% of investment because the government decided not to ask state aid approval for all sustainable energy programs (in this case the Bioenergy Infrastructure Scheme).

³ With the proposal the maximal state aid is 50-80% of the "eligible costs" which is essentially the net losses for the investors. If a state want to make investments happen with net losses, it has to give support of 100% of the net loss, as no investor can be expected to decide upon loss-making investments.

Par. 44 (1.5.6, p. 14). The criteria that district heating must be more energy efficient than individual heating is unjustified: individual heating with a high efficiency in the house such as electric heating or gas heating is usually leading to more pollution nationally than district heating based on waste heat or renewable heating, even though the efficiency of the district heating system is lower than the individual heating. The requirement of higher efficiency in this context can distort the purpose of the paragraph and should be deleted. The requirement must simply be that district heating leads to less pollution.

About aid intensity of energy saving investments (par. 78-82, 3.1.4.1, p. 24-25)). The limit of aid intensity for investments in energy saving to 50-70% of net extra costs of energy savings (with any cost savings from reduced energy for the first 5 years use subtracted) makes it impossible to design state aid programs for energy savings that are attractive for any company or entity with an investment horizon less than 7-10 years. This compromises the ability of countries to design attractive schemes using state aid for commercial enterprise and other entities such as lower income families with shorter investment horizons. The permitted intensity of eligible costs for energy savings must be 100%.

About aid intensity of renewable energy investments (par. 86-91, 3.1.5.1, p. 25-26). Likewise the limit of the aid intensity of renewable energy to 50-80% of extra net costs compared with conventional (fossil fuel) solutions (with any cost savings from reduced energy for the first 5 years use subtracted) makes it impossible to design state aid programs for renewable energy that are attractive for any company or entity with an investment horizon less than 7-10 years, creating similar problems for renewable energy promotion than for promotion of energy savings. The permitted intensity of eligible costs must also here be 100%.

On reduction of harmonised taxes (par. 126, 3.1.1, p. 34). It must be clear that if the reduction of the tax is only to the harmonised level in EU, it must not be a requirement that the reduction is authorised in the directive that give the harmonised minimum tax level.

On aid involved in tradeable permit schemes (3.1.12, p. 34-25), the allocation of permits below market value must be subject to the same criteria as other state aid. In particular it should be justified that the amount of the reduction compared with the market price is necessary for the competitiveness of the companies that receive the permits for a reduced price.

Par 139 (3.3, p. 37). There is no reason to grant higher state aid for project of common interests than for national project. If the proposed increases of permitted state aid as proposed above are implemented, this paragraph becomes redundant and should be deleted.