Revision of the Guidelines on Environmental State Aid

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www.inforse.org/europe/seminar07_BXL.htm
Current Guidelines: Setup

- Valid until end of 2007
- Provisions for investment aid:
  - 30% of net extra investment costs
  - 10% extra for renewable energy investments
- Provisions for operating aid:
  - Waste management.
  - Tax reductions.
  - Renewable energy: Difference between production costs and market price.
Current Guidelines: Problems

- Aid intensity: 30-40% of extra costs.
  - Incentive effect?

- Net extra cost approach:
  - Calculation in case of new technology?
  - Calculation for integrated technology?

- Benchmark for exemptions: “Nature” and “general objectives” of the tax
  - “Platonic ideal” problematic when applied to real-world taxes.
  - Inadequate criterion for environmental incentives.
Revision in 2007

- General Block Exemption Regulation
  - Conditions for the exemption from the notification requirement of Art. 88(3) EC-T.
  - Specific provisions for environmental aid.
  - Easier and faster procedure for standard cases (up to certain ceiling in EUR).

- New Environmental Guidelines
  - Provisions for cases where the exemption regulation is not applicable.
Revision of the Guidelines I

- Different options for calculating the minimum necessary incentive
  - Where extra costs are applicable: 100%.
  - Payback period.
  - Avoided external costs.
  - Percentage of total project costs.

- Eco-Innovation
  - Double market failure which is not captured by new R+D+I guidelines.

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Revision of the Guidelines II

• The distinction between investment and operating aid is no longer useful:
  – Cover waste management investments!
  – Use production cost approach for calculation!

• Transparent provisions for environmental taxes
  – In line with energy tax directive 2003/96/EC.
  – Criterion: Environmental incentive effect.
Guidelines and Renewables

• 2001-Guidelines’ provisions on renewable energies are comparatively good.
  – Here, the distinction between investment and operating aid is given up, already.
  – Aid intensity up to 100% of cost difference plus “fair return” on capital → Incentives reasonably okay.

• Yet, dormant competition problem because of “outsiders” of environmental guidelines:
  – Feed-in laws and state aid control: Some countries are “in”, some are “out”.
  – The very fact of being or not being subject to the Art. 88 procedures creates competitive imbalance.
  – Minimum requirement: Uniform, EU-wide accepted certificates of origin for green power.
Thank you for your attention!

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