



# State Aid for the Environment - New Guidelines until 2014

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European Sustainable Energy Policy Seminar  
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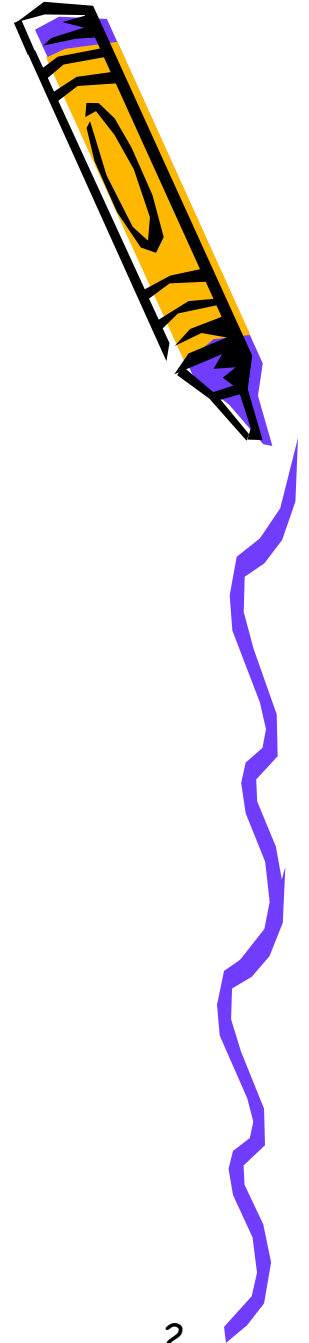
April 8, 2008  
Brussels



[http://www.inforse.org/europe/seminar08\\_BXL.htm](http://www.inforse.org/europe/seminar08_BXL.htm)

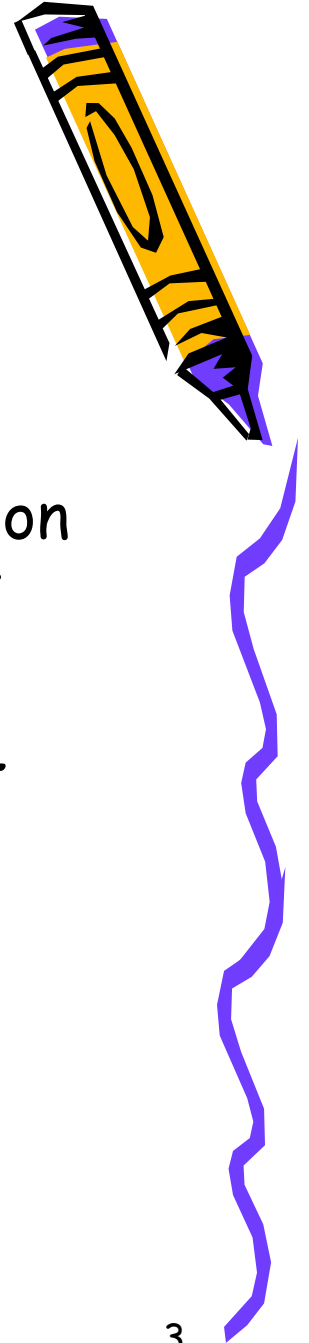
# Link to the Energy package

- New Guidelines as one instrument to implement the 3 \* 20 % targets of Europe's Energy Action Plan:
- 20 % reduction of GHG emissions
- 20 % increase in energy savings
- 20 % binding target for the share of Renewable Energies in overall EU E consumption (including 10 % biofuels)



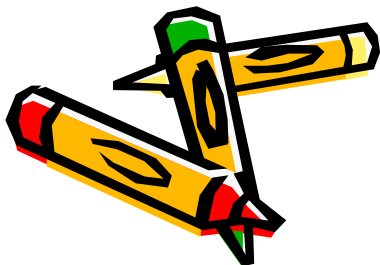
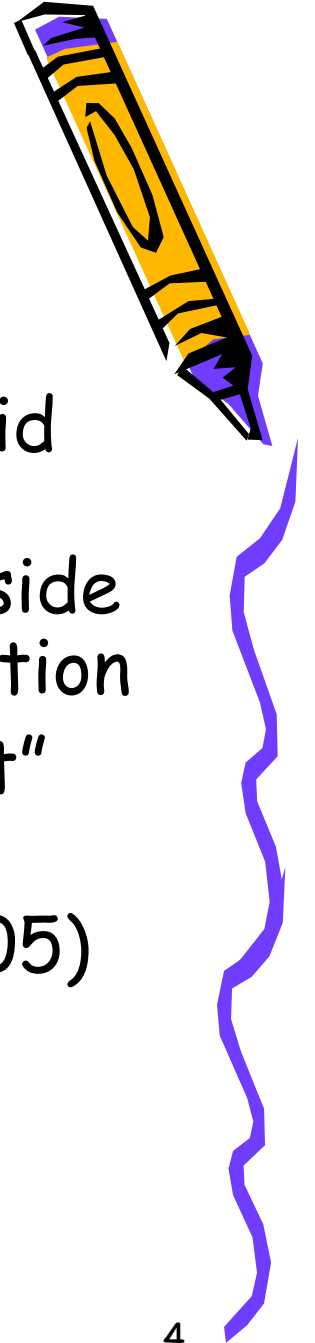
# Common Interest

- Sustainable Development
  - based on economic prosperity, social cohesion and high level of protection of environment
- Polluter Pays Principle
- Are bases of the *EU Common Interest*
- Guidelines aim at authorising aid addressing market failure and “sub-optimal” protection of environment



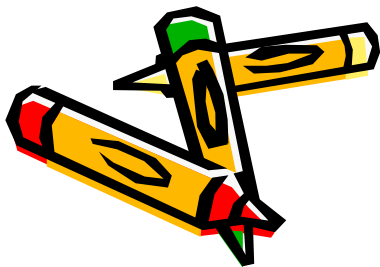
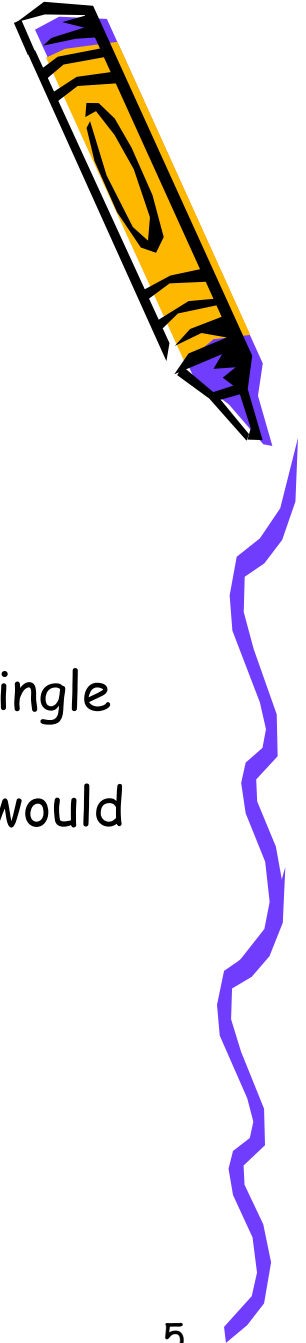
# Balancing Approach from State Aid Action Plan

- To balance the positive impact of the aid measure for common interest policies against impact as potentially negative side effect, especially on trade and competition
- Further elaborated with "balancing test" with
- Communication on innovation (COM (2005) 436 final from 21.9.2005)



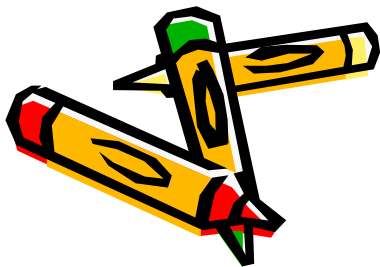
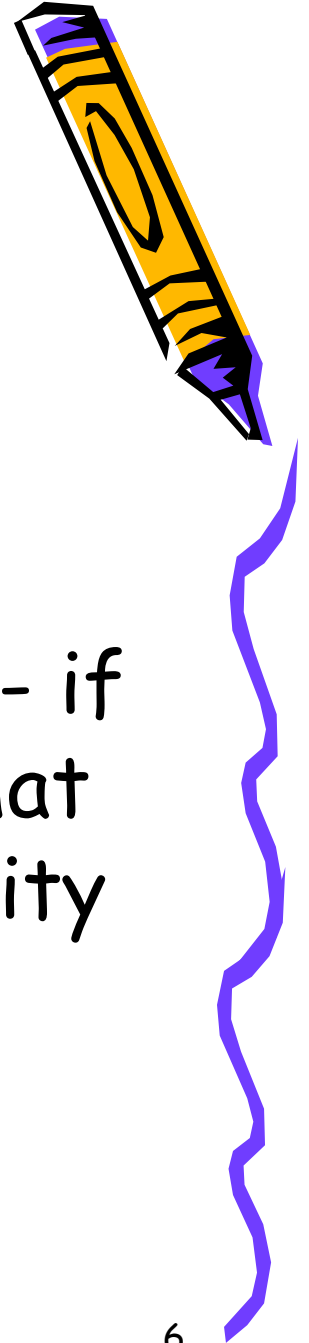
# Block Exemption Regulation (BER)

- New Guidelines introduce for the first time the way towards Block Exemption in the field of environment
- But the Regulations for BE are still to come from Commission during this year ("before summer break")
- BE would mean that for all aid mechanisms under such exemption there is no need to notify and approve the single aid unless
- a certain set threshold or condition in the future BER would require notification of a specific aid individually



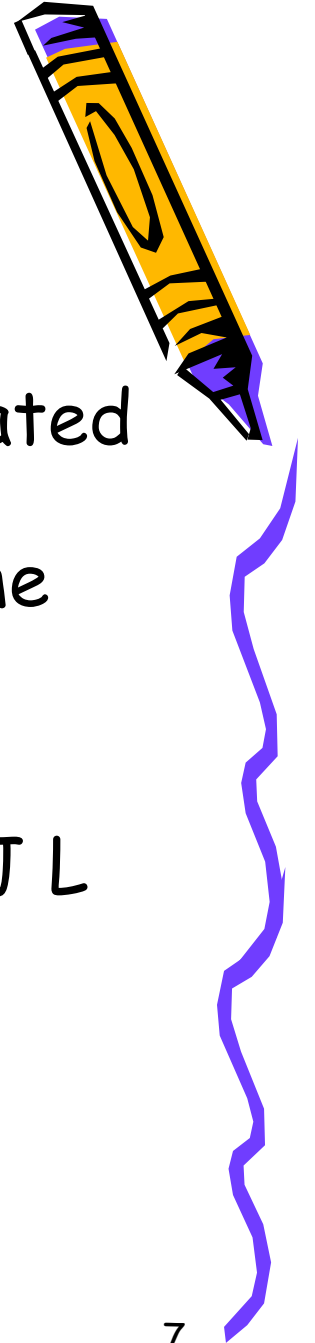
# Aid intensity increased

- Large industry now 50-60%
- Small enterprises now 70 - 80 %
- Tax reduction: long-term possible - if the companies benefitting from that reduction pay at least the community minimum



# Not covered areas

- Environmental protection measures related to
- Air, road, inland waterways and maritime infrastructure, including projects of common interest (esp. Transeuropean Network..); see specifically Decision 1692/96/EC and Guidelines for TEN OJ L 228 9.9.96
- Stranded costs



# 2 way approach

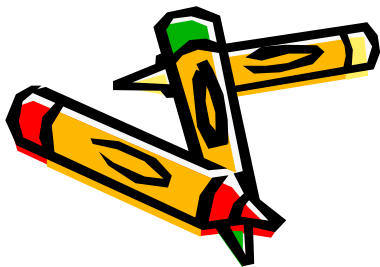
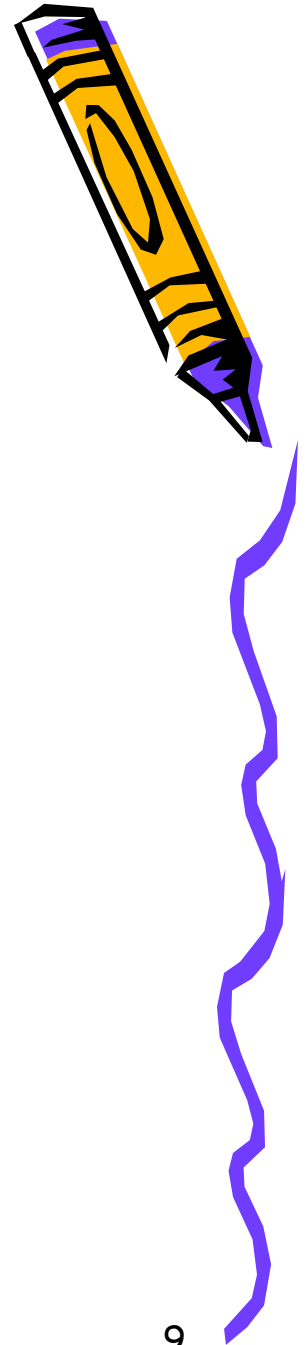
- Standard procedure
- Detailed assessment - for large aid amount to individual enterprises by deeper scrutiny regards effect on competition and trade





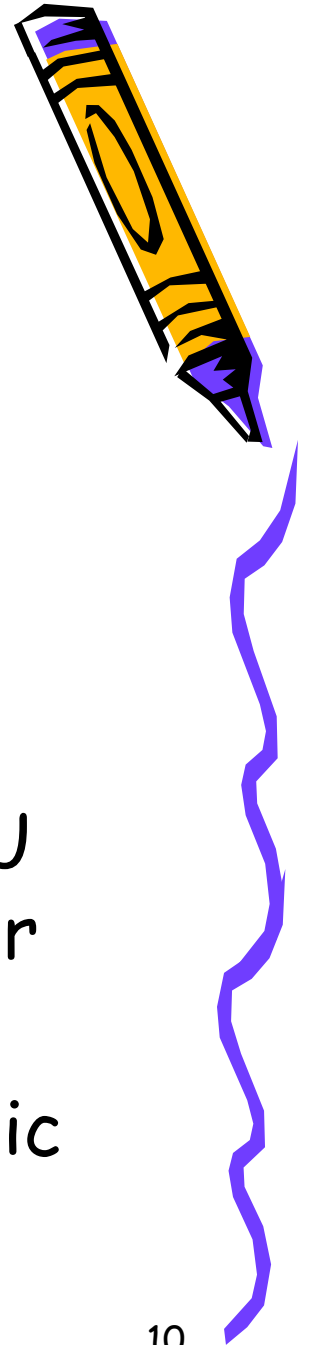
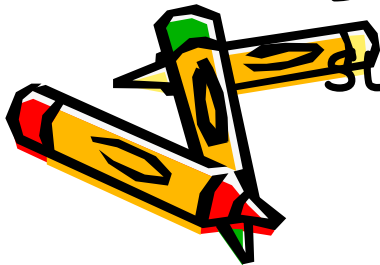
# Aids addressed in the energy field

- Energy Savings
- Cogeneration and District Heating
- Renewable Energy Sources
- Reduction or exemption from environmental taxes
- Tradable permit Schemes



# Renewable Energy Sources

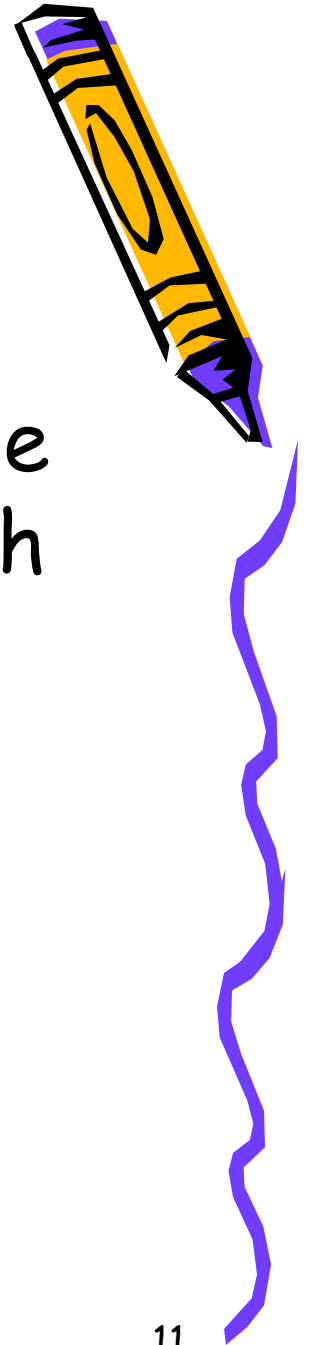
- If costs of production is higher compared to production from less environmental sources
- And only as long as / if there is no EU 27 mandatory standard for a share or RES for individual undertakings
- Biofuels and Hydropower have specific sustainability attention attached



# Just a note on trade in permits

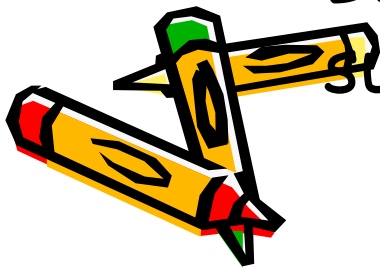
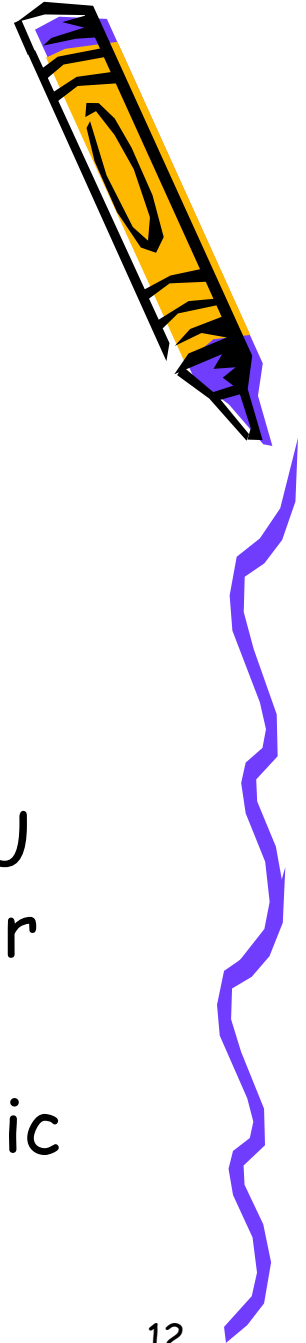
- Guidelines: various aid forms maybe attached to Certificate trade, such as
- Granting of permits or allowances "below market value"
- Aid in this respect so far only for First Emission Trading Period until

2012



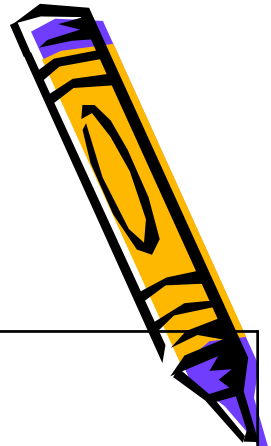
# State Aid for Renewable Energy Sources

- Main conditions
  - If costs of production are higher compared to production from less environmental sources
  - And only as long as / if there is no EU 27 mandatory standard for a share or RES for individual undertakings
  - Biofuels and Hydropower have specific sustainability attention attached




# Aid for RES- Investment Aid

- Ceiling to intensity 60 % of eligible investment costs
- For SME up to 10 % more, up to 20 % for small Enterprises



	Aid intensity for RES
Small enterprises	80%
Medium-sized	70%
Large	60%



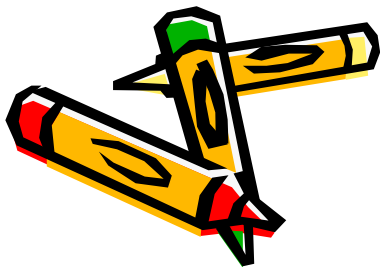
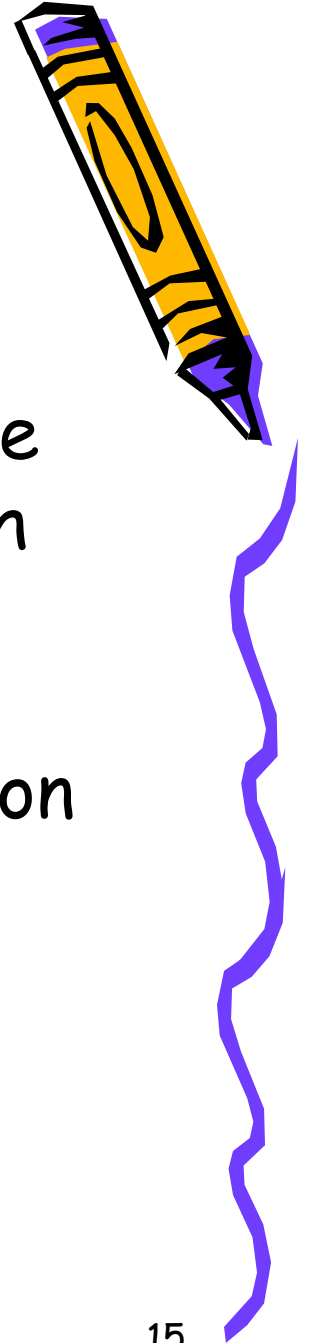
# Favouring of Bidding systems

- Where Investment Aid is granted in a "genuinely competitive bidding process on the basis of clear, transparent and non discriminatory criteria", ensuring that aid is limited to minimum necessary for delivering maximum renewable energy, aid intensity can go up to 100 % of eligible investment costs (see No. 104 of New Guidelines)



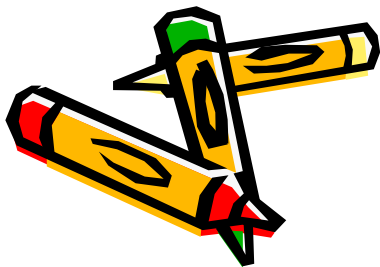
# Eligible Investment Costs for RES

- Limited to extra investment costs borne by the beneficiary of aid compared with conventional power plant or with conventional heating system with same capacity in terms of effective production of energy
- Calculated net of any operating benefit



# Aid for RES - Operating Aid

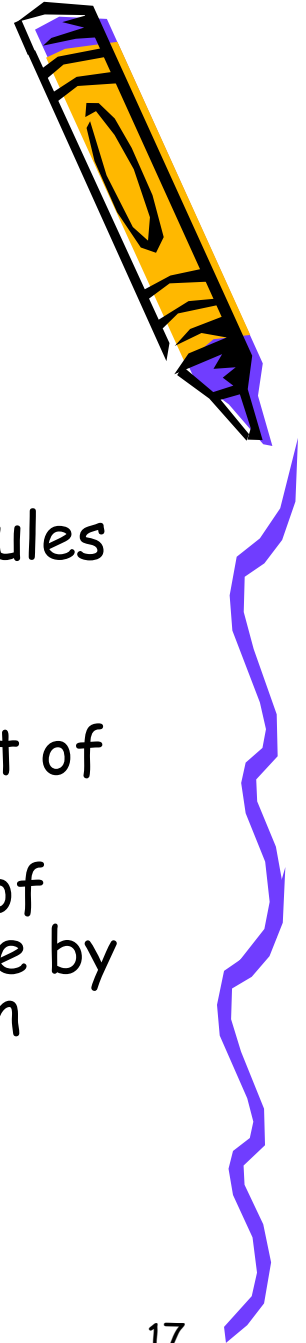
- To cover the difference between cost of producing RES and market price
- For RES production put on the market and for
- RES production for "undertaking's own consumption"
- Two option for aid grants-





# RES aid- Option 1

- Compensation of difference between costs of producing RES and "normal costs" until full depreciation according to normal accounting rules
- Plus normal return on capital
- Investment aid is to be deducted from the production costs when determining the amount of operation aid.
- Biomass: can in specific case exceed amount of investment if clear that aggregate costs borne by undertaking after depreciation will still remain higher than market price for energy



# RES Aid - Option 2

- Use of "market mechanism such as green certificates or tenders"; price of green certificates is not fixed in advance but "depends on supply and demand"
- Where the market mechanism is aid, it is ok if MS can show that support is essential to ensure viability of RES concerned, is not overcompensating and is not dissuading RES to become more competitive
- Authorisation for 10 years



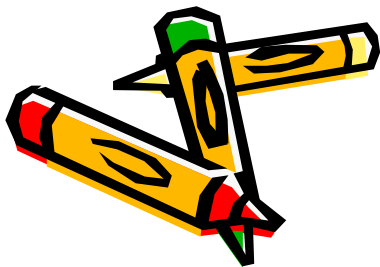
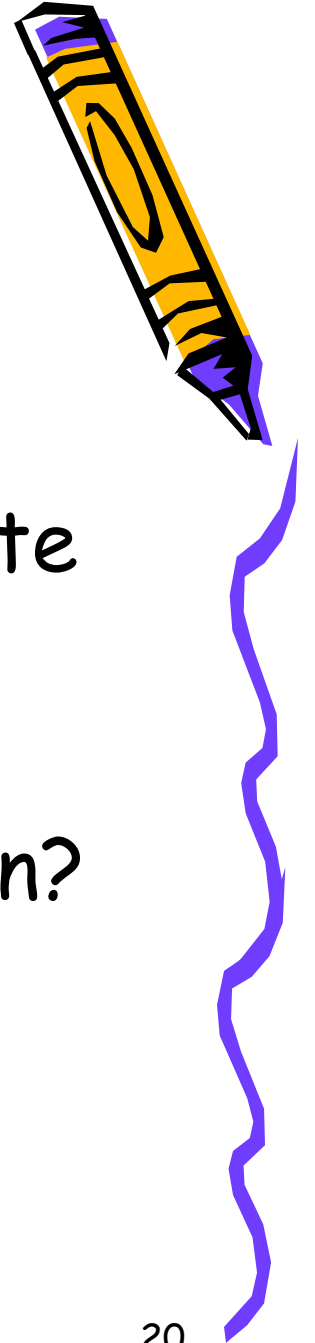
# Option 2 Question Mark

- *Commission underlines that FiT systems are not market based instruments*
- *Consequence: FiT mechanisms which have State Aid elements (such as in Austria, Slovenia, Luxemburg) could not benefit from this scheme*
- *See: Commission Staff Working Document (SEC(2008)57, page 12*
- *"Support schemes differ with regard to their compatibility with the principles of the internal market. With premiums, quota/TGC schemes, tendering schemes, tax exemptions and investment support, renewable electricity is normally traded in the electricity market and subject to market prices and conditions. The support is therefore remuneration on top of the electricity price. Since the electricity is sold in the market, the producers participate on the regular electricity market in competition with other producers and this supply will have an influence on the price.*
- *With feed-in tariffs, the renewable electricity is not sold directly in the market. The electricity is paid for through a purchase obligation which is normally put on the system operator. This electricity is shared among the customers and paid for through a fee included in the network tariff. Although renewable electricity which receives a feed-in tariff is not sold directly in the market, this additional supply will have an indirect impact on the market price."*



# What does this mean for Feed-in ?

- There are Feed-in systems which were evaluated by DG Comp as state aid systems such as in Slovenia, Austria, Luxembourg
- Are they excluded from this option?



# RES Aid Option 3

- Operation aid for a scheme where aid is gradually reduced, aid not exceeding 100 % of extra costs in the first year if it then falls linear down to 0 by the end of 5th year.
- If no digression of aid intensity cannot exceed 50 % of extra costs



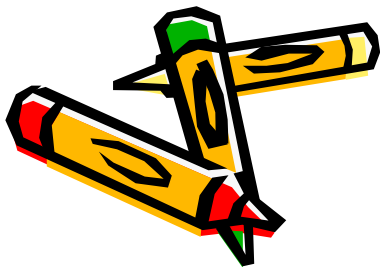
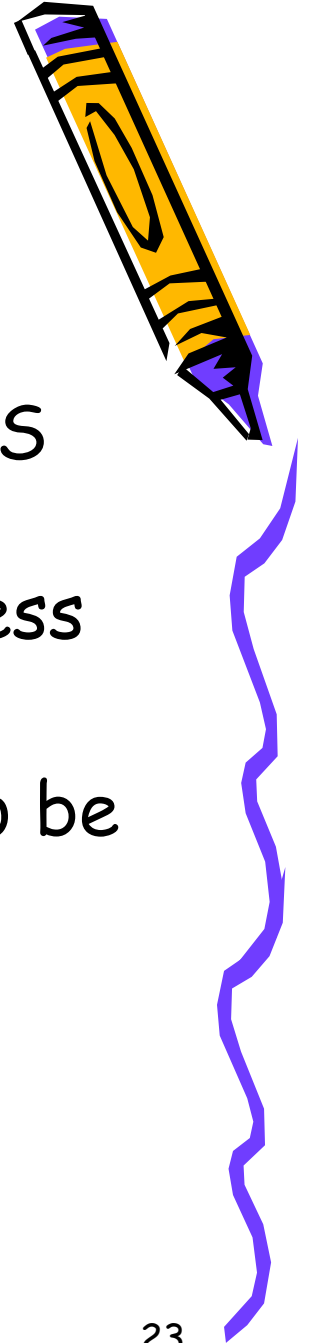
# Detailed Assessment (DA) Procedure and RES

- > 7.5 Million EUR investment aid per undertaking
- > 5 Mio EUR operating aid per undertaking for 5 years
- Operating aid for RES Electr. (incl CHP heat) > exceeding generation capacity of 125 MW
- Operating aid for biofuels when production exceeds 150 000 t per year



# DA and avoided external costs

- MS who grant operating aid for new RES plants on calculation of external costs avoided, this always needs DA, regardless the threshold.
- Calculation of avoided external costs to be based on internationally recognised methodology, validated by Commission



# Cumulation rule

- Ceilings apply regardless if aid is from State budget only or partly financed by European Community
- Not to combine with other state aid or other Community Sources if such overlapping will lead to higher intensity. But if other aid guidelines will then be applicable as well the Commission has to chose the most favourable aid ceiling between the different guidelines

