State aid: Commission approves €1.1 billion Danish scheme to support roll-out of carbon capture and storage technologies

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The European Commission has approved, under EU State aid rules, a €1.1 billion Danish scheme to support the roll-out of carbon capture and storage (‘CCS’) technologies. The measure contributes to the achievement of Denmark's climate targets and the EU’s strategic objectives under the European Green Deal, in particular the 2050 climate neutrality goal.

The Danish scheme

The scheme notified by Denmark, with a total budget of around €1.1 billion (DKK 8.1 billion), aims at promoting the roll-out of CCS technologies used to reduce carbon dioxide (‘CO₂’) emissions that are released in the atmosphere and achieve deeper decarbonisation of industrial processes. The measure will support CCS as a viable and effective tool to mitigate climate change. This is expected to increase investor confidence in the CCS-technology, reduce costs for future application of CCS technologies and thereby facilitate the development of a commercial CCS market in Denmark.

Under the scheme, the aid will be awarded through a competitive tendering procedure to be concluded in 2023. The tender will be open to companies active in any industrial sectors, including the waste and energy sectors. Under a 20-year contract, the beneficiary will capture and store an annual minimum of 0.4 million tonnes of CO₂ as from 2026. The aid will cover the difference between the estimated total costs of capturing and storing a tonne of CO₂ over the lifetime of the contract and the return expected by the beneficiary. The maximum amount of aid will be equal to €54.9 million per year (DKK 408.4 million), adjusted to inflation.

The scheme will contribute to Denmark's efforts reduce its greenhouse gas emissions by 70% by 2030 compared to the 1990 level. It will also help Denmark and the EU meet their objective of achieving climate neutrality by 2050. The scheme is expected to enable the capture and storage of a minimum of 0.4 million tonnes of CO₂ per year and 8 million tonnes of CO₂ over the total 20-year period of the contract.

The Commission’s assessment

The Commission assessed the scheme under EU State aid rules, in particular Article 107(3)(c) of the Treaty on the Functioning of the European Union, which enables Member States to support the development of certain economic activities under certain conditions, and the 2022 Guidelines on State aid for climate, environmental protection and energy (‘CEEAG’), which allow Member States to support measures reducing or removing CO₂ emissions.

The Commission found that:

- The scheme is necessary and appropriate to support the reduction of greenhouse gas emissions through the capture and storage of CO₂ in Denmark and thereby contribute to the EU and national climate targets.
- The scheme has an “incentive effect” as potential beneficiaries would not carry out the investments and engage in a CCS project without the public support.
- The scheme has a limited impact on competition and trade within the EU. In particular, the aid is proportionate and any negative effect on competition and trade in the EU will be limited in view of the design of the bidding process, which will ensure that the aid amount is kept to the minimum.
- The scheme will be subject to an ex-post evaluation, which will verify among other things the effectiveness of the competitive bidding process.
- Finally, Denmark committed to ensure that the aid delivers overall CO₂ reductions and that it does not merely displace the emissions from one sector to another.
On this basis, the Commission approved the Danish scheme under EU State aid rules.

**Background**

The Commission's 2022 CEEAG provide guidance on how the Commission assesses the compatibility of environmental protection, including climate protection, and energy aid measures which are subject to the notification requirement under Article 107(3)(c) TFEU.

The new guidelines, applicable as from January 2022, create a flexible, fit-for-purpose enabling framework to help Member States provide the necessary support to reach the Green Deal objectives in a targeted and cost-effective manner. The rules involve an alignment with the important EU's objectives and targets set out in the European Green Deal and with other recent regulatory changes in the energy and environmental areas and will cater for the increased importance of climate protection. They include sections on energy efficiency measures, aid for greenhouse gas emissions removal, clean mobility, infrastructure, circular economy, pollution reduction, protection and restoration of biodiversity, as well as measures to ensure security of energy supply, subject to certain conditions.

With the European Green Deal Communication in 2019, the Commission reinforced its climate ambitions, setting an objective of net zero emissions of greenhouse gases in 2050. The European Climate Law in force since July 2021, which enshrines the 2050 climate neutrality objective and introduces the intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030, sets the ground for the 'Fit for 55' legislative proposals presented by the Commission on 14 July 2021. More recently, in November 2022, the Commission adopted a proposal for a first EU-wide voluntary framework to reliably certify high-quality carbon removals. The proposed regulation is aimed at improving the EU's capacity to quantify, monitor and verify carbon removals, which contribute to the EU's climate, environmental and zero-pollution objectives.

More information will be made available under the case number SA.102777 in the State Aid Register on the DG competition website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the Competition Weekly e-News.

**Quotes:**

This €1.1 billion scheme will enable Denmark to capture and store a significant amount of CO2, preventing its release into the atmosphere. It will help Denmark achieve its ambitious target of climate neutrality by 2050 at the latest, in line with the European Green Deal objectives, while ensuring that competition distortions are kept to the minimum. Margrethe Vestager, Executive Vice-President in charge of competition policy - 12/01/2023

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