Subject: State aid SA.38796 (2014/N), – United Kingdom. Teesside Dedicated Biomass CHP Project

Sir,

The European Commission wishes to inform the United Kingdom that, having examined the information supplied by your authorities on the matter referred to above, it has decided to raise no objections to the notified aid measures.

I. PROCEDURE

1. Following pre-notification contacts, on 18 October 2014 the United Kingdom notified, pursuant to Article 108(3) of the Treaty on the Functioning of the European Union (TFEU), the support for the Teesside Dedicated Biomass CHP Project, SA.38796.

The Rt Hon Philip Hammond MP
Secretary of State for Foreign and Commonwealth Affairs
Foreign & Commonwealth Office
King Charles Street
London
SW1A 2AH
United Kingdom
II. DESCRIPTION OF THE MEASURE

Background and objectives of the notified project

2. The UK intends to restructure its support for renewable energy. In this context, the UK notified to the Commission a system based on Contract for Difference (CfD), which is known as the CfD for Renewables Scheme (hereinafter referred to as the CfD scheme). The Commission adopted a favourable decision approving the CfD Scheme on 23 July 2014\(^1\). Aid will be granted under the CfD Scheme from 1 April 2015 onwards.

3. As a transitory measure, the UK has also organised a tender process and selected eight advanced renewable projects under the Final Investment Decision Enabling for Renewables (FIDeR) process. Support for these selected projects will be provided on the basis of Investment Contracts. The notified project is part of the eight projects selected under FIDeR\(^2\).

4. The UK explained that the aim of the transitional FIDeR process is to enable developers of renewable electricity projects to take final investment decisions, or other critical investment decisions directly impacting the time to commission the different projects, which would otherwise be delayed by the uncertainty caused by the transition to the enduring CfD for Renewables Scheme. The UK considers that without this transitional measure, large renewable projects would be delayed or even cancelled, and this would significantly increase the risk of the UK missing its interim and 2020 renewables targets, and would be likely to have an adverse impact on security of supply.

5. The selection process was designed as an open, transparent, competitive and non-discriminatory process. To qualify, a project had to be targeting the generation of renewable electricity by 31 March 2019, ensuring that the project would contribute to meeting the 2020 renewables target. The budget for this process was constrained and not all projects that met the minimum threshold Evaluation Criteria were able to receive Investment Contracts.

6. From the 57 projects that applied to the process, 26 passed to the second phase of the selection process, based on the qualification criteria established by the UK\(^3\).

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\(^1\) C(2014) 5079 final (JOCE C/393/2014).

\(^2\) The Commission adopted a decision on the other five projects – all concerning off shore wind energy – on 23 July 2014 (cases SA.38758, SA.38759, SA.38761, SA.38763 and SA.38812): C(2014) 5074 final (JOCE C/393/2014). Two additional projects, concerning conversions to biomass, were pre-notified to the Commission and are currently under assessment.

\(^3\) The eligible projects needed to have credible plans in place to start generating electricity by 2019, be located in the UK (although the process was open to developers from other Member States) and have a capacity of 50MW or greater (or in the case of an offshore project, 100MW or greater).
7. In the second phase on the selection process, 16 applicants from the four technology groups were selected, as they met the required minimum evaluation criteria thresholds. The projects meeting the minimum threshold evaluation criteria were ranked for each technology, and they were further subject to an affordability assessment and down-selection methodology, allowing the UK to select only the projects for which there was a budget available.

8. The UK authorities aimed to provide support to a variety of technologies, which is why they in a first round allocated Investment Contracts to the top quartile of projects which met the minimum threshold Evaluation Criteria within each of the groups of technologies represented in the process.

9. At the end of the selection process, eight projects have been awarded Investment Contracts. These are presented in the table below.

<table>
<thead>
<tr>
<th>Project</th>
<th>Technology</th>
<th>Installed Capacity Estimate (MW)</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orax 3rd Conversion Unit (Unit #1)</td>
<td>Biomass conversion</td>
<td>645</td>
<td>Selby, North Yorkshire</td>
</tr>
<tr>
<td>Lynemouth Power Station</td>
<td>Biomass conversion</td>
<td>420</td>
<td>Ashington, Northumberland</td>
</tr>
<tr>
<td>Teesside Renewable Energy Project</td>
<td>Dedicated biomass with combined heat and power (“CHP“)</td>
<td>299</td>
<td>Tees Valley, Middlesbrough</td>
</tr>
<tr>
<td>Beatrice Offshore Wind Farm</td>
<td>Offshore wind</td>
<td>664</td>
<td>Outer Moray Firth, Scotland</td>
</tr>
<tr>
<td>Burbo Bank Extension Offshore Wind Farm</td>
<td>Offshore wind</td>
<td>258</td>
<td>Liverpool Bay, at the entrance to the River Mersey</td>
</tr>
<tr>
<td>Dudgeon Offshore Wind Farm</td>
<td>Offshore wind</td>
<td>402</td>
<td>The Wash, north of Cromer, Norfolk</td>
</tr>
<tr>
<td>Hornsea Offshore Wind Farm Project One</td>
<td>Offshore wind</td>
<td>1200</td>
<td>North Sea, off the Yorkshire coast</td>
</tr>
<tr>
<td>Walney Extension Offshore Wind Farm</td>
<td>Offshore wind</td>
<td>660</td>
<td>Irish Sea, off the coast of Cumbria</td>
</tr>
</tbody>
</table>

Source: UK authorities

10. According to the UK, the eight selected projects will contribute over 4.5 GW of low carbon electricity capacity to the UK’s energy mix. Once built the projects will contribute around 15 TWh of generation, or 14%, of the renewable electricity the UK expects to develop by 2020, helping the UK to meet its 2020 renewable energy target. The projects will also reduce emissions by 10 Mt CO2 per year compared to fossil fuel power generation, and will contribute to meeting the UK’s security of supply and diversity of supply objectives by ensuring that a range of technologies contribute to the UK energy mix.

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4 The evaluation criteria used were related to the project deliverability and its impact on industry development.
11. The notified aid measure concerns the Teesside Dedicated Biomass CHP Project. The project is located within the Tees Valley Enterprise Zone in the Tees Valley, a heavily industrialized area in the north east of England. The power plant will be operated by MGT Teesside Limited, a 100% owned subsidiary of MGT Power Limited. The beneficiary of the aid is therefore MGT Teesside Limited.

12. The plant will consist of a 299 MWe (gross) combined heat and power plant running exclusively on biomass expected to be commissioned on 31 July 2018. The plant will provide electricity to the national grid and heat to its own dryer (installed at the project site to dry locally sourced woody biomass) and neighbouring sites. The plant will have the capacity to supply heat and power to new customers within the Tees Valley Enterprise Zone.

13. Overall, the market share of the project would amount to 0.6% of the UK future electricity generation market.

14. The plant will be fuelled mainly by pellets sustainably sourced from the U.S. and shipped to a dedicated deep-water berth directly adjacent to the project site. About 2.5% of the total fuel supply will consist of locally sourced wood and energy crops transported to the project site via rail and road.

15. According to UK estimates, the project will save approximately 20 million tons of CO₂ over the 15 year contract lifetime and supply about 2.1 TWh of electricity. The plant will operate at baseload thus providing schedulable low-carbon energy in an increasingly intermittent non-fossil energy mix.

16. The plant’s generation unit will consist of one Circulating Fluidized Bed (“CFB”) boiler and one condensing steam turbine generator with an air-cooled condenser and auxiliary equipment. The nominal capacity will be 299 MWe; based on net output of the plant whilst operating on 100% biomass fuel. The plant will be designed to operate at baseload for 8,000 hours per year. The plant will use around 1.15-1.2 m dry tonnes of wood depending on the moisture content of the feedstock. The CFB boiler enables high fuel flexibility allowing the use of a wide specification of biomass, including straw, agricultural residues (for example olive cake), energy crops and higher chlorine or alkali wood sources such as mesquite and rubber-wood. The UK has confirmed that, in order to be eligible for support, only solid biomass can be used.

17. Table 2 shows the estimated operating parameters of the Teesside plant.

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5 The UK clarified that only agricultural residues will be used in the plant and no type of waste (such as municipal waste).
Table 2 – Plant operating parameters

<table>
<thead>
<tr>
<th>Fuel cost £/GJ</th>
<th>Thermal efficiency %</th>
<th>Mean load factor %</th>
</tr>
</thead>
<tbody>
<tr>
<td>(£6.00-£7.00)</td>
<td>[35.0%-40.0%]</td>
<td>[85%-90%]</td>
</tr>
</tbody>
</table>

Source: UK authorities.

Form of aid and level of support

18. The notified aid is granted based on CfD and takes the form of a variable premium calculated as the difference payment between a pre-fixed price (the strike price) and a measure of the market price for electricity (the reference price). Generators will earn money from selling their electricity into the market as usual, but when the average wholesale price of electricity is below the strike price, generators will receive a top-up payment from a UK Government-owned counterparty (Low Carbon Contracts Company Ltd - the "CfD Counterparty") for the difference. The generators will however retain the risks of not achieving the reference price and a volume risk of not achieving the forecasted sales volumes.

19. When the reference price exceeds the strike price, the CfD mechanism requires the generator to pay the difference between the reference price and the strike price to the CfD Counterparty. In the view of the UK this ensures that the generators are not overcompensated.

20. The reference price is a price based on forward wholesale market electricity prices in a given period. This ensures that the generator participates to the electricity market in the normal way by seeking to obtain the best price for the electricity it generated.

21. The support to the biomass project is therefore determined on the basis of an administratively set strike price. Strike prices were set at such levels that the support under the FID Enabling for Renewables is broadly equivalent to that provided under the current Renewable Obligation scheme, in order to enable a smooth transition between the support schemes.

22. For the calculation of strike prices for dedicated biomass plants with CHP (applicable to the Teesside CHP plant), the UK in particular considered the ranges of levelised costs

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6 Initially the Investment Contracts have been entered into by the UK Government. Once State aid approval has been obtained, the UK Government will transfer the remaining Investment Contracts to the CfD Counterparty.

7 The scheme was originally approved by the Commission Decision of 28 February 2001 in case N504/2000 and subsequently amended several times. In its current form, the scheme was approved by the Commission in its Decision of 2 April 2013 in case SA.35565 (2013/N). Some specific elements were afterwards approved for Northern Ireland (case SA.36084) and Scotland (case SA.37453).
presented in table 3 below. The UK presented in detail how these costs were calculated, the sources of data used, and the hurdle rates considered.

23. The ‘levelised cost’ is the average cost over the lifetime of the plant per MWh of electricity generated (a standardised measure of the net present value of lifetime costs divided by generation for a generic plant under each technology). It reflects the cost of building a generic plant for each technology, while potential revenue streams are not considered. Levelised costs estimates are highly sensitive to the underlying data and assumptions used including those on capital costs, fuel and carbon costs, operating costs, operating profile, load factor and discount rates. Some of these uncertainties are captured through the use of ranges presented around key estimates (e.g. for capex and fuel depending on the estimates).

24. The levelised cost does not explicitly include the financing costs attached to new generating stations. In most cases the UK authorities used a 10% discount rate for all technologies.

Table 3 - Levelised cost estimates for projects commissioning in 2014, 2016 and 2020

<table>
<thead>
<tr>
<th>Technology</th>
<th>2014</th>
<th>2016</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated biomass with CHP</td>
<td>179-229</td>
<td>177-228</td>
<td>174-222</td>
</tr>
</tbody>
</table>

Source: UK authorities

25. The calculation of the strike price is based on a range of factors, covering technology specific factors (such as capital and operating costs, financing costs as well as any build constraints), market conditions (such as wholesale prices and the discount which generators face when signing a power purchase agreement), policy considerations (such as the specific contract design, choices about technology mix and meeting the ambition for renewable electricity).

26. The strike price for a particular technology is different to the levelised cost of the respective technology, due to the factors indicated above, but also for a number of other reasons:

- some costs are not included in the levelised costs (e.g. those related to the generator’s share of transmission losses);
- power purchase agreements and their specific discounts;
- contract length: the levelised cost is defined over the operating life of a project. If the CfD contract length is shorter than the operating life and wholesale prices and capacity market revenue post-contract are lower than the levelised cost then, all other things being equal, the Strike Price must be increased above the levelised cost to compensate for this; and

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All these elements have been published by the UK authorities in the document "Electricity Generation Costs", available on https://www.gov.uk/government/publications/electricity-generation-costs.
other revenues that generators would receive: e.g. Climate Change Levy Exemption Certificates ("LEC") provide around £5 /MWh revenue and it was assumed the beneficiaries will receive LEC revenue; therefore the strike price was reduced to account for this.

27. The key assumptions used for the calculation of strike prices, including for levelised costs, fossil fuel prices, effective tax rates, PPA discounts and maximum build assumptions are listed in the UK Government’s levelised cost report\(^9\) and the report from the System Operator\(^10\). For this purpose, the wholesale price of electricity is assumed to be approximately £ 55 per MWh in real terms increasing to £ 65 per MWh in 2020.

28. The strike prices were administratively set to reflect the expected levelised generation costs.

29. The UK authorities submitted calculations demonstrating that the revenues of heat production were taken into consideration for determining the applicable strike price.

30. The applicable strike price for this project is £125/MWh (2012 Prices – indexed annually to CPI). The same amount per MWh will be the maximum strike price offered to CHP plants under the CfD Scheme.

**National legal basis**

31. The national legal basis is the Energy Act 2013.

**Financing: budget, aid intensity and duration**

32. The total budget for this project is £ 1.1 billion.

33. The Investment Contract for the notified project was signed in May 2014 subject to Commission approval. However, aid will not be paid to individual projects before the commissioning date.

34. The CfD counterparty will be funded through a statutory levy imposed on all licensed electricity suppliers, based on the suppliers' market share, defined by metered electricity use. Suppliers will have to meet their obligations from their own resources but will be free to pass the costs on to consumers as part of their overall pricing strategies.

35. For the Teesside CHP plant, the duration of payments through the Investment Contract is 15 years from the commissioning date.

36. The Internal Rate of Return (IRR) for the project is estimated at [6.0-7.0%] on a real, post tax basis. The estimated lifetime of the plant is 15 years.

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Transparency

37. With regard to reporting and transparency, the UK indicated that all the Investment Contracts awarded through the FID Enabling for Renewables process have been published online in the form in which they were signed.\footnote{Available on the website https://www.gov.uk/government/publications/final-investment-decision-fid-enabling-for-renewables-investment-contracts}

Cumulation

38. The UK clarified that the projects that have been awarded Investment Contracts will be unable to receive a CfD for the same electricity generation under the new support scheme. Also, no project receiving payments under Investment Contracts will be able to receive Renewable Obligation Certificates for the same electricity generation. Finally, renewable generation that receives support through an Investment Contract will not be able to participate in the Capacity Market or receive investment aid during the term of the Investment Contract.

39. As the Project site is located in the Tees Valley Enterprise Zone it will be eligible to make an application to offset its corporation tax liabilities against the first year capital allowances of qualifying investment costs in the plant and in the equipment. Support in the form of Enhanced Capital Allowance has been included and quantified in the financial calculations submitted by the UK.

40. The UK explained that LECs are available for renewable electricity generation. LECs are not considered to be State aid by the UK. Nevertheless, since it has been assumed that CfD plants (including those with Investment Contracts) will receive LEC revenue, the Strike Price has been reduced to account for this.

41. Based on the above principles, the UK confirmed that neither the generator nor any of its direct or indirect stakeholders has received, been granted or applied for any other support from the UK or from any other Member State.

III. ASSESSMENT

Presence of state aid

42. A measure constitutes State aid in the meaning of Article 107 (1) TFEU if it is "granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods [...] in so far as it affects trade between Member States."

43. The beneficiary will receive support from the UK Government-owned counterparty, the Low Carbon Contracts Company Ltd, for the electricity generated by the notified project.
The notified measure favour the generation of electricity from renewable sources (in this case biomass) by the selected beneficiary. Electricity is widely traded between Member States and therefore the notified measures are likely to distort competition on the electricity market and affect trade between the Member States. Therefore the notified measures constitute State aid in the meaning of Article 107 TFEU.

**Legality of the aid**

44. Based on the information provided by the UK, the Commission notes that the Investment Contract for the notified project was awarded and signed in May 2014. However, no payments will be done before State aid approval has been obtained. The Commission considers therefore that the UK fulfilled its obligations under Article 108(3) TFEU.

**Compatibility of the aid**

45. The Commission notes that the notified measure aim at promoting the generation of electricity from renewable sources, namely from solid biomass. The notified measure falls within the scope of the Guidelines on State aid for environmental protection and energy 2014-2020 (EEAG)\(^{12}\). The aid is paid as a variable premium, on top of a reference electricity price, for a duration of 15 years. The Commission has therefore assessed the notified measure based on the general compatibility provisions of the EEAG (set out in its section 3.2.) and based on the specific compatibility criteria for operating aid granted for electricity from renewable energy sources (section 3.3.2.1. of the EEAG).

**Objective of common interest**

46. The aim of the notified aid measure is to help the UK achieve the CO\(_2\) reduction and renewable energy targets set by the EU as part of its EU 2020 strategy. The project will increase the share of the electricity produced from renewable sources in the UK and will have a significant contribution in terms of reducing CO\(_2\) emissions as stated in paragraph 10 above. In line with points 30 and 31 of the EEAG, the UK defined the objective of the measure and explained the expected contributions towards ensuring a competitive, sustainable and secure energy system.

47. The Commission thus considers that the notified aid measure is aimed at an objective of common interest in accordance with Article 107(3)(c) of the Treaty.

**Need for state aid and appropriate instrument**

48. In point 107 EEAG the Commission acknowledges that "under certain conditions State aid can be an appropriate instrument to contribute to the achievement of the EU objectives and related national targets".

49. For the notified project the UK demonstrated that without the aid the project would not be built. The UK provided a detailed financial analysis illustrating the cost of the project.

\(^{12}\) OJ C 200 of 28.06.2014.
Based on this analysis, the Commission notes that without the aid the notified project would not be financially viable, as the costs for generating electricity would be much higher than the income from the sale of the electricity thus generated.

50. According to point 116 EEAG, in order to allow Member States to achieve their targets in line with the EU 2020 objectives, the Commission presumes the appropriateness of aid to energy from renewable sources and the limited distortive effects of the aid provided all other conditions are met.

51. Consequently, the Commission considers that the aid for the notified project is necessary and that it is granted by means of an appropriate instrument to address the objective of common interest.

*Incentive effect*

52. In line with point 49 of the EEAG, the incentive effect occurs if the aid induces the beneficiary to change his behaviour towards reaching the objective of common interest which it would not do without the aid.

53. As illustrated in table 3, the levelised cost of electricity from solid biomass plants is well above the expected electricity market price. The UK authorities have provided financial analysis to demonstrate that, without aid, the Internal Rate of Return (IRR) of the notified project would be negative. In such a situation, rational market players would not want to invest in the notified biomass project. The aid therefore changes the beneficiary's behaviour.

54. The UK confirmed that the applicants for Investment Contracts were required to submit a number of applications under the application process. The Commission notes that the notified measure complies with the obligation to use an application form for aid, as set out in point 51 of the EEAG. The Commission further notes that the application was submitted before work on the project has started.

*Proportionality*

55. According to point 69 of the EEAG, environmental aid is considered to be proportionate if the aid amount per beneficiary is limited to the minimum needed to achieve the environmental protection objective aimed for.

56. As laid down in point 124 EEAG, the aid is provided in the form of a variable premium, on top of the reference price for electricity. This premium consists in the difference between the strike price (the level of revenues calculated as necessary for biomass projects to reach an acceptable rate of return) and the reference price of electricity.

57. The Commission notes that the project was selected based on a competitive bidding process. However, as the strike price was set administratively, the project was not evaluated on the basis of the minimum support level they would require.
58. The UK explained that the level of the strike price for dedicated CHP biomass projects was calculated considering a range in hurdle rates of 9.6% - 17.6%. Such rates are consistent with the ones previously approved by the Commission for biomass projects in the UK (e.g. for the Renewable Obligation scheme). Table 5 below presents the levelised costs and the expected IRR for the notified project, as well as the general estimates of the UK for this technology.

Table 5 – Summary of the levelised costs and IRR details for the notified project

<table>
<thead>
<tr>
<th>DECC generic levelised cost range</th>
<th>DECC generic pre-tax real IRR range</th>
<th>DECC generic post-tax nominal IRR range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range: £177 - £227/MWh Central scenario: £202/MWh</td>
<td>Range: 9.6-17.6% Central scenario: 13.6%</td>
<td>Range: 9.4-15.9% Central scenario: 12.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project levelised cost</th>
<th>Project pre-tax real IRR</th>
<th>Project post-tax real IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>[115£/MWh-120£/MWh]</td>
<td>[7.5-8.5%]</td>
<td>[6.0-7.0%]</td>
</tr>
</tbody>
</table>

Source: UK authorities

59. Based on the information received from the UK, the Commission was able to verify that the amount of aid for the notified project is limited to what would be necessary to allow the project to reach a reasonable rate of return. The Commission further notes that with the aid the notified project is reaching an IRR below the hurdle rates range considered by the UK.

60. Calculations provided by the UK show that the IRR is not significantly affected by the initial assumptions used in the financial calculations. The Commission notes that uncertainties in assumptions such as those shown in Table 2 above are not likely to result in significant changes of the IRR, so as to lead to potential overcompensation.

61. The Commission verified the compliance of the notified measures with section 3.3.2.1. (Operating aid for electricity from renewable energy sources) of the EEAG. The Commission notes that (as laid down in point 124 EEAG) the beneficiary will sell the electricity produced directly in the market. The Commission further notes that the Investment Contract is already signed and will become binding on the UK once the measure is approved by the Commission. The aid will be granted before 1 January 2016. The aid is granted as a variable premium, for 15 years, therefore not exceeding the depreciation period of the plant..

62. The Commission notes that the aid granted to the notified project will not be cumulated with any aid other than those already accounted for in the financial calculation submitted by the UK. The UK confirmed that neither the generator nor any of its direct or indirect stakeholders has received any additional support from the UK or from any other Member State in relation to the notified project.

63. Based on the above, the Commission considers that the aid granted for the notified project is proportionate.
Distortion of competition and balancing test

64. According to point 90 EEAG, the Commission considers that aid for environmental purposes will by its very nature tend to favour environmentally friendly products and technologies at the expense of other, more polluting ones. Furthermore, the effect of the aid will in principle not be viewed as an undue distortion of competition since it is inherently linked to its very objective.

65. The Commission further notes that the beneficiary represents a small fraction of the UK electricity market. As mentioned in point 13 above, the Teesside CHP plant will amount to 0.6% of the UK generation. The proposed project will not significantly affect the beneficiary's market share. Therefore, the Commission considers that the notified project will not have any significant impact on competition in the UK electricity generation market.

66. The CFB boiler of the plant makes it possible to burn solid biomass from, *inter alia*, agricultural residues and high chlorine or alkali wood sources such as mesquite and rubber wood. The Commission notes that this fuel flexibility will allow the beneficiary to source the required biomass fuel from such sources, without putting additional pressure on market for raw materials which could be used for material or other uses. Whilst the size of the plant is such that its required feedstock will not represent a significant proportion of the overall biomass raw material markets, the quantity of wood pellets to be used would have represented 4.5-6.5% of the 2011 international pellet trade market. All in all, based on the information provided by the UK, any possible distortions in the upstream raw materials markets would remain limited. Furthermore the UK has explicitly confirmed that the domestic sustainability criteria for solid biomass and difference payments up to the Strike Price under the Investment Contract do not discriminate the biomass by its country of origin.

67. The Commission therefore considers that aid to the Teesside project does not have undue distortive effects on competition and trade so that the overall balance is positive.

Transparency

68. According to point 104 of the EEAG, Member States have the obligation to ensure the transparency of the aid granted, by publishing certain information on a comprehensive State aid website. In line with point 106 of the EEAG, Member States are requested to comply with this obligation as of 1 July 2016.

The Commission notes that the UK committed to ensure the transparency of the aid granted to the notified project and indicated that all the Investment Contracts awarded through the FID Enabling for Renewables process have been published online in the form which they were signed.

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13 The plant would require approximately 1-1.2 million dry tonnes of wood pellets and approximately 200,000 tonnes of wood chips annually.
Other aspects – Compliance with Article 30 and 110 TFEU

69. In the context of the decision on Contract for Difference for Renewables (SA.36196) and the decision regarding FIDeR aid to five offshore wind projects (SA.38758, SA.38759, SA.38761, SA.38763 and SA.38812), the UK has committed that it will adjust the way in which electricity suppliers’ liabilities for CfD payments are calculated so that eligible renewable electricity generated in EU Member States outside Great Britain and supplied to customers in Great Britain is not counted towards suppliers’ markets shares.

70. The UK will ensure that no CfD payments are made before this exemption is in place, or if this is not possible the UK will put in place a mechanism to reimburse suppliers for any imported eligible renewable electricity supplied before the exemption comes into effect but after CfD payments have started to be made.

71. The above commitment will also apply to the notified measure.

72. In the light of the above commitment, the Commission considers that the financing mechanism of the notified aid measures should not introduce any restrictions contrary to Article 30 or Article 110 TFEU.

Conclusion with regard to the compatibility of the notified measures

73. In light of the above, the Commission considers that the notified aid measure pursues an objective of common interest in a necessary and proportionate way and that therefore the aid is compatible with the internal market on the basis of the EEAG.

IV. CONCLUSION

74. The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union.

75. If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Your request should be sent to:

European Commission
Directorate-General for Competition
State Aid Registry
B-1049 BRUSSELS
Fax no: + 32-2-296.12.42
Stateaidgreffe@ec.europa.eu
Yours faithfully,

For the Commission

Margrethe Vestager
Member of the Commission