European Commission

#SOTEU #EUGreenDeal

STATE OF THE UNION

2020

EU Climate Target Plan 2030

Building a modern, sustainable and resilient Europe

21st September 2020

Adoption of the revised EU ETS State aid Guidelines

What is the context?

The Commission adopted revised EU Emission Trading System (ETS) State aid Guidelines in the context of the system for greenhouse gas emission allowance trading post-2021, which will enter into force from 1 January 2021.

The EU ETS is a cornerstone of the EU's policy to combat climate change and a key tool for curbing greenhouse gas emissions cost-effectively. The ETS creates a carbon price signal for businesses to reduce emissions.

What is the objective of the Guidelines?

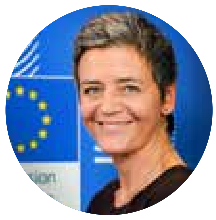
The ETS Guidelines aim at reducing the risk of "carbon leakage", where companies move production to countries outside the EU with less ambitious climate policies, leading to less economic activity in the EU and no reduction in greenhouse gas emissions globally.

They enable Member States to compensate companies in at-risk sectors for part of the higher electricity prices resulting from the carbon price signals created by the EU ETS (so-called "indirect emission costs"), while avoiding overcompensation and thus an undue distortion of competition in the Single Market.

"The European Green Deal is our blueprint to achieve a green transformation. At the heart of it is our mission to become the first climate-neutral continent by 2050."

Ursula von der Leyen, President of the European Commission

"To sustainably tackle climate change and achieve our Green Deal objectives, we have to put a price tag on carbon emissions while avoiding carbon leakage. The revised EU Emission Trading System State aid Guidelines adopted today are an important element of this project."

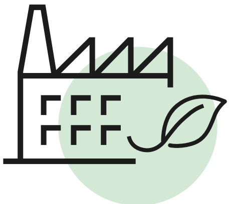


Margrethe Vestager, Executive Vice-President of the European Commission

What are the key elements in the Guidelines?

To reduce the risk of carbon leakage, the adopted Guidelines are designed around three key elements:

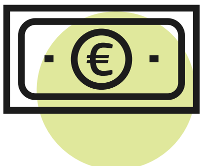
SECTORS



The Guidelines focus on the 10 sectors and the 20 sub-sectors most at risk of carbon leakage:

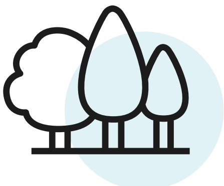
- sectors with significant international trade exposure,
- sectors significantly impacted by energy costs and with limited ability to pass on higher electricity costs,
- sectors with profit margins under pressure at international level,
- sectors with limited potential for improving their energy efficiency.

COMPENSATION LEVEL



The revised Guidelines set a stable compensation rate of 75% (reduced from 85% at the beginning of the previous ETS trading period), and exclude compensation for non-efficient technologies, to maintain the companies' incentives for energy efficiency.

CONDITIONALITY



The compensation will be conditional to decarbonisation efforts by companies, such as:

- conducting energy audits,
- implementing energy audit recommendations,
- facilitating an increase in sustainable and private investment,
- reducing the carbon footprint of their electricity consumption.

The EU will be climate neutral in 2050. To reach this target we need to support industry to innovate so that EU companies become global leaders in the green economy.

The revised Guidelines will enter into force on 1 January 2021 and will be applied for the period 2021-2030. Member States choosing to grant State aid through ETS indirect cost compensation will have to notify schemes to the European Commission based on these Guidelines.