JUST TRANSITION PLATFORM MEETING

COAL REGIONS IN TRANSITION VIRTUAL WEEK

CARBON-INTENSIVE REGIONS SEMINARS

15 - 17 NOVEMBER 2021

State aid in the context of Just Transition Mechanism

Regional aid

Aid for regional development

EU governments can subsidise investment in less developed regions. The aid must:

- Have an incentive effect
- Be kept to the minimum necessary to attract investment
- Stay within regional aid ceilings
- Not have undue negative effects

Regional aid can be granted under the General Block Exemption Regulation or notified under the Regional Aid Guidelines

European Commission

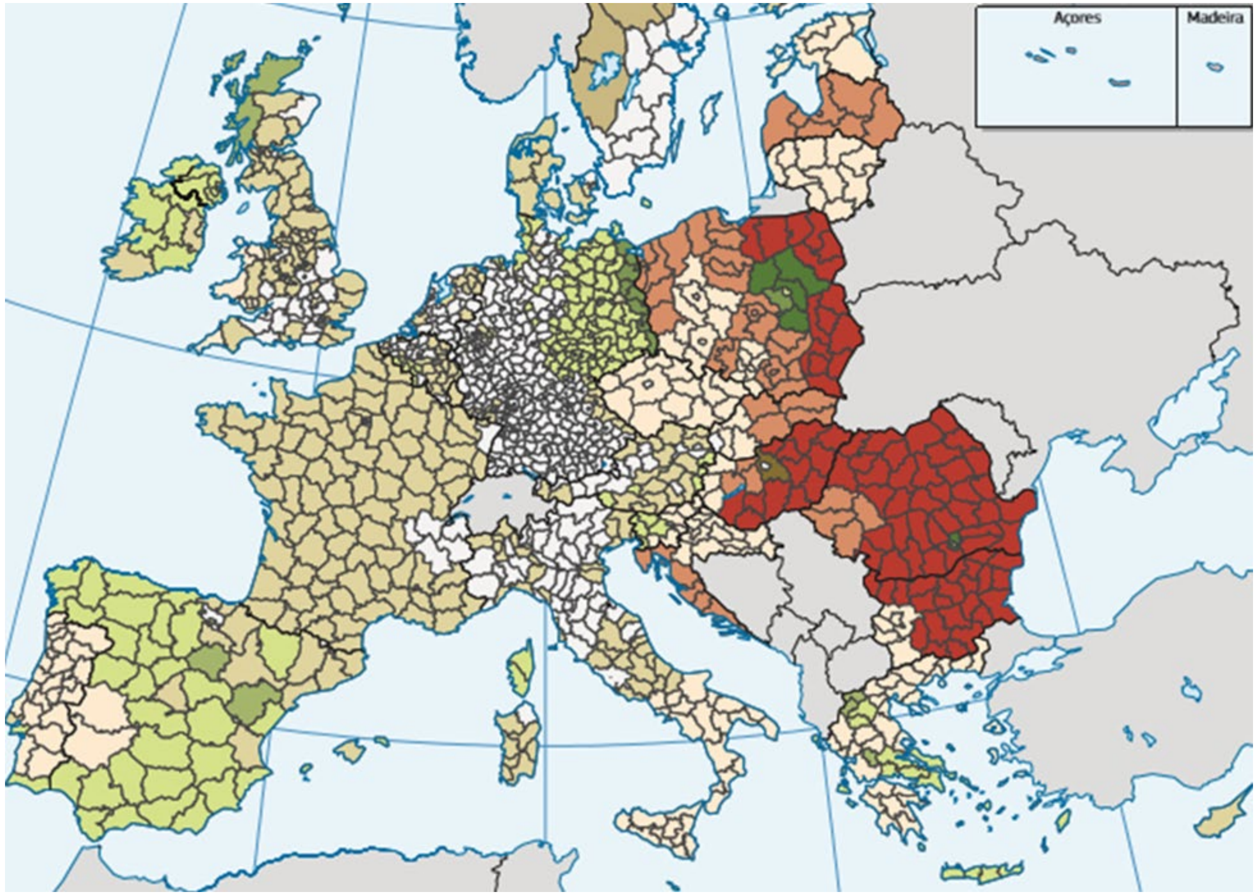
Regional aid maps

Regional aid is most effective when it goes to regions that need it most

Regional state aid, 2018-2020

Eligible regions and maximum aid intensity

Art 107.3.a	Art 107.3.a Outermost regions	Art 107.3.c total	Art 107.3.c partial
25%	35%	10%	10%
35%	45%	15%	15%
50%	55%	20%	35%
	70%	35%	



How regional aid maps are drawn

'a' areas: Standard of living

- GDP lower than 75% of EU average
- Outermost Regions

'c' areas: Wider range of criteria

- Socioeconomic, geographical and structural problems at national level
- Former 'a' areas
- Sparsely populated areas
- Other problem regions proposed by Member States ('free c' areas)
- Just Transition Territories can be easily assigned on the maps

European Commission

Maximum aid intensities

The regional aid map caps investment aid that can be granted in each region

Assisted area (% EU GDP/head)	**Large firms**	**Medium-sized firms**	**Small firms**
‘a’ areas (<55%)	50%	+10%	+20%
‘a’ areas (55%-65%)	40%	+10%	+20%
‘a’ areas (>65%)	30%	+10%	+20%
Former ‘a’ areas	20% (until 31/12/24) -15%	+10%	+20%
Sparsely populated areas, external border areas	20%	+10%	+20%
Other ‘c’ areas	10%-15%	+10%	+20%

In addition, several ‘bonuses’ apply

→ + 10% for Just Transition Territories located in ‘a’ areas

Eligibility of projects and beneficiaries

Investment in tangible and intangible assets related to:

In 'a' regions & SME in 'c' areas:

- Setting up of a new establishment;
- Diversification of output of establishment into products not previously produced in the establishment;
- Fundamental change in the production process.
- Extension of the capacity of an existing establishment;

LEs in 'c' areas:

- Setting up of a new establishment;
- Diversification of activity of establishment, if new activity is not same as or similar to activity previously performed in the establishment;

Exception for Just Transition Territories

- ‘c’ area must have GDP/cap < 100% of EU average
- Investment and beneficiary must be identified in approved Territorial Just Transition Plan
- State aid for the investment is covered by the JTF to the maximum allowed

Acquisition of assets linked to establishment that has closed or would have closed

No replacement investment!

Assessing State aid: Common principles

The aid actually contributes to a region's economic development

It is necessary

Granting the aid is the best thing to do after exploring the alternatives

The amount is the minimum necessary

The aid has no undue negative effects

Transparency & evaluation

European Commission

Guidelines on State aid for Climate, Environmental Protection and Energy (CEEAG)

Alejandro Donnay – DG Competition
Just Transition Platform
16 November 2021

Context

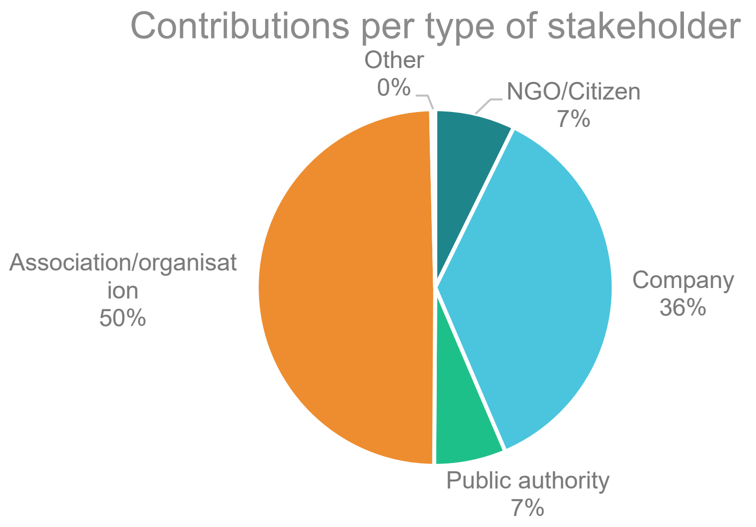
- The **Guidelines on State aid for environmental protection and energy** (EEAG) were adopted in 2014
- The EEAG already provide a framework for supporting several areas of the Green Deal (e.g. decarbonisation, circularity and zero pollution)
- A **fitness check** on the State aid modernisation package was carried out in 2019. The results showed that the EEAG and corresponding GBER rules have generally delivered on supporting climate targets…
- …but that certain aspects should be revised to be fully up to the challenge of the Green Deal and the Recovery after COVID-19

Timetable

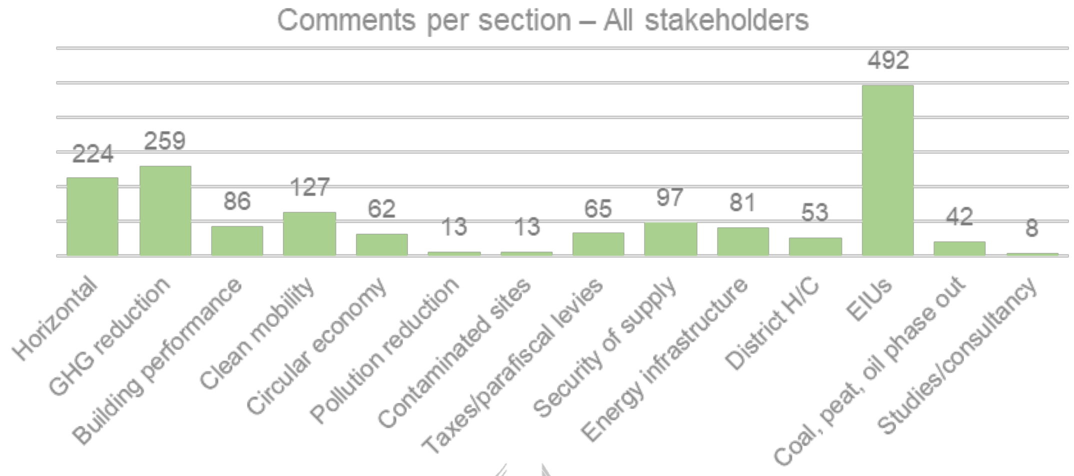
- 8 week consultation: IIA & Open public consultation (questionnaire) in Autumn 2020
- Support study (published in June 2021)
- 8 week consultation of draft CEEAG in June/July 2021
- Adoption of revised CEEAG expected by end-2021

High degree of stakeholder involvement

- 739 contributions from associations, business organisations, NGOs, national authorities and citizens



- Most commented sections concern EIUs, GHG emissions and horizontal points.



European Commission | COMPETITION

The new draft guidelines

The rationale of the revision

- The two main buildings blocks of the revision are:
  - An enlargement of the scope of the guidelines to cover new areas and technologies
  - A flexibilisation of the compatibility rules
- The wider scope of the guidelines needs to be accompanied by <u>safeguards</u> to ensure that the aid:
  - Is effectively directed where it is needed to improve environmental protection
  - Is limited to what is needed to achieve the environmental goals
  - Does not unduly distort competition or the integrity of the internal market
- The revision also aims at ensuring alignment and coherence with relevant EU legislation and policies in the environmental and energy fields

From EEAG to CEEAG

- The new *Guidelines on State aid for Climate, Environmental Protection and Energy (CEEAG)* reflect the increasingly important role of more ambitious climate policies in the green transition and of competition policy in supporting the Green Deal

- In particular, the revised guidelines have the aim to:
  - Open up and facilitate to a maximum and far above the 2014 EEAG those aid measures that are 2030-2050 compliant (**green**)
  - Closely scrutinise measures that are not fully 2050-proof (**grey**) to avoid lock-in effects and stranded assets
  - Phase-out support for measures that do not deliver for the Green Deal (**brown**)

How are green measures facilitated further?

ENLARGING THE SCOPE OF THE GUIDELINES	• New areas (e.g. industry, clean mobility infrastructure, resource efficiency, biodiversity) • All technologies that can deliver the Green Deal (e.g. renewable and low carbon hydrogen, e-storage)
FLEXIBILISING COMPATIBILITY RULES	• Higher aid amounts (100% of funding gap) and new aid instruments (e.g. CCfDs) • Simplified assessment of cross-cutting measures • Generally no individual notifications for large green projects within approved schemes
ENDORSING GREEN SECURITY OF SUPPLY	• Allow stricter environmental requirements • Allow more generous contract terms for green technologies
GBER-ISING GREEN ELEMENTS	• New articles for new measures • Increased thresholds • Higher aid intensities

Safeguards are needed to preserve the integrity of the internal market and the proper functioning of the energy market

How are grey and brown measures treated?

SCRUTINY OF GREY MEASURES	*PHASING OUT OF BROWN MEASURES*
• To prevent lock-in effects, grey measures will need to be compatible with the 2050 climate target to receive aid • For example, support for investment in natural gas infrastructure will be subject to the infrastructure being hydrogen-ready • Aid for gas vehicles and refuelling infrastructure will be subject to cleaner alternatives not being readily available on the market	• Measures that involve support to the most polluting fossil fuels are unlikely to create positive environmental effects and often have important negative effects because they can increase the negative environmental externalities in the market • The same applies for measures involving new investments in natural gas, unless it is demonstrated that the investments are compatible with the 2050 climate neutrality target • Therefore, in the CEEAG it is indicated that for such measures a positive conclusion to the balancing test is unlikely (and State aid is therefore unlikely to be possible)

Next GBER will facilitate

- Horizontal enlargement: wider and newer exempted possibilities to support renewables and other decarbonisation measures
  - Provisions revised to include CCUS, storage, green hydrogen, renewable energy communities
  - New provisions for clean vehicles, wider coverage of recharging infrastructure
  - Wider scope for rehabilitation and restoration of biodiversity, resource efficiency
- Vertical enlargement: higher notification thresholds and aid intensities
  - Higher notification thresholds in all areas
  - Up to 100% aid intensities when aid granted via competitive bidding; green bonus for energy performance in buildings and district heating and cooling
- Public consultation just launched: [2021 gber (europa.eu)]

Measures covered by CEEAG / GBER

From Article 8 JTF Regulation, we can mention:

- Investments in infrastructures for affordable clean energy, including energy storage technologies, and in greenhouse gas emission reduction;
- Investments in renewable energy in accordance with Renewables Directive and in energy efficiency
- Investments in smart and sustainable local mobility, including decarbonisation of the local transport sector and its infrastructure.
- Rehabilitation and upgrade of district heating networks with a view to improving energy efficiency of district heating systems and investments in heat production provided that the heat production installations are supplied exclusively by renewable energy sources
- Investments in regeneration and decontamination of brownfield sites, land restoration and including, where necessary, green infrastructure and repurposing projects, taking into account the ‘polluter pays’ principle.
- Investments in enhancing the circular economy, including through waste prevention, reduction, resource efficiency, reuse, repair and recycling.

Thank you