eurelectric powering people

European Commission public consultation for the revision of the EU ETS State aid Guidelines

A Eurelectric consultation paper

May 2019

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:
- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

WG Climate Change & Decarbonisation

Contact:
Petar Georgiev; Advisor Climate and E-Mobility,
pgeorgiev@eurelectric.org

Eurelectric welcomes the opportunity to respond to the Public Consultation for the revision of the EU ETS State aid Guidelines. In view of the ETS Directive revision for the next trading period (Phase 4), our industry supports updating the ETS State aid Guidance in order to reflect new provisions and address the risk of carbon leakage due to indirect emission costs. With this in mind and having participated in stakeholder roundtables and expert group meetings on the State Aid Guidelines in the past, we provide the following set of views with trust that they can be useful for improving the implementation of the EU ETS:

Preventing carbon leakage

The revised ETS Directive suggests that Member States partially compensate certain installations in sectors or subsectors determined to be exposed to risk of carbon leakage. Developing appropriate compensation mechanisms is a precondition to mitigate the direct impacts of an increased carbon price on the competitiveness of electricity-intensive industries. It is therefore essential to ensure a level playing field, most ostensibly in view of third countries, and protection with regard to the exposure to competitive disadvantage. If not properly designed, compensation of industrial electricity users for higher electricity prices may severely impact or even remove the signal given by the EU ETS to invest in energy efficiency.

Mitigating market distortions

As renewables become increasingly abundant, PPAs provide for linking them with power production while successfully managing their long term market price exposure. However, due to differences in how the Guidelines are interpreted by national authorities with regard to what constitutes an indirect carbon cost, in some cases electricity contracts based on renewables are assumed not to have carbon costs. This situation has provided a perverse incentive to stick with fossil electricity in order to keep state aid. Therefore, a coherent interpretation of point 11 of the Guidelines[1] would be needed to prevent distortion of competition and accelerate EU's decarbonisation objectives where sectors face similar treatment across Europe.[2] Itemising the different elements in a PPA price and specifying the CO2 price included is impossible. It is more reasonable to assume an average carbon content in the power mix as the basis for compensation instead of a CO2 component in each contract.

Promoting energy efficient decarbonisation

Efficient market-based investment frameworks are key to ensure innovation and cost-efficient decarbonisation of the economy. The regulatory framework should send strong investment signals for further harnessing the benefits of clean electricity. Ultimately, efficiency should be the guiding principle during the upcoming revision.

1 https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52012XC0605%2801%29
2 This is also in line with RED II mandate to remove administrative barriers to renewable PPAs

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: 4271427696-87