

Revision of the Guidelines on State Aid for Environmental Protection and Energy must ensure market-based signals are allowed to drive cost-effective decarbonisation of the EU economy

The European Federation of Energy Traders (EFET)¹ welcomes the revision of the Guidelines on State Aid for Environmental Protection and Energy (EEAG) by the European Commission.² The revision of the Guidelines should help achieving the European Green Deal objectives and Europe's net zero target cost-efficiently, by way of ensuring that market-based signals at the European level steer the deployment of the most cost-effective decarbonisation solutions in the most cost-effective locations. With that in mind, we put forward the following five main recommendations for the revision of EEAG:

1. Ensuring consistency between the revised EEAG and the Clean Energy Package

It is crucial to ensure consistency and alignment between the revised Guidelines and the provisions on financial support for renewable electricity sources (RES-E) set out in the Clean Energy Package (CEP). The commitment to market-based mechanisms and cross-border participation, in cases where some form of financial support for RES-E remains necessary, which features in the CEP, should be maintained.

2. Avoiding policy overlaps with a reinforced and expanded EU ETS

Decarbonisation across the European economy should be driven by an EU carbon price in an expanded and reinforced EU ETS. Broadening of eligibility for State aid to specific end-use sectors or renewable technologies may create policy overlaps and undermine the effectiveness of a reinforced and expanded EU ETS. The ETS and potential interim carbon pricing schemes for new end-use sectors should be the key instrument for achieving the European 2030 and 2050 climate objectives cost-effectively.

3. Ensuring that any temporary support schemes for non-mature decarbonisation technologies are strictly market-based, technology-neutral, non-distortive, tradable and open across EU borders, and harmonised

While unlikely to be as efficient as a long-term, credible carbon price, we recognise that temporary, market-based support mechanisms for non-mature technologies may constitute an interim solution. Any temporary national or EU-wide schemes necessary to support the uptake of renewable energy and of other technologies and energy carriers facilitating the decarbonisation of the energy system must reflect the CO2 abatement and sustainability characteristics of the technologies and be:

A) Strictly market-based, technology-neutral as far as practicable, non-distortive, tradable and open across EU borders;

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

² See EFET response to the Commission consultation on EEAG revision at https://efet.org/Files/Documents/Downloads/EFET_consult%20EC%20EEAG_07012021.pdf

- B) Cost-effective from a system management perspective;
 - C) Taken into account in the framework of the EU ETS for their carbon abatement effect to ensure that the integrity of the EU ETS is preserved and strengthened.
- 4. Putting in place safeguards against competition distortions and introducing clear sunset provisions**
- Safeguards against competition distortions must be put in place, and all temporary support schemes for renewable energy sources and decarbonisation solutions – covering operating costs and/or investment expenses – must be subject to clear sunset provisions. For all technologies, aid should only be considered at early stages of development and where there is a realistic prospect of that technology becoming economically competitive on a standalone basis.
- 5. Ensuring that RES-E generators have no incentive to generate energy in times of negative prices**
- Operating aid received by renewable energy generators on a per MWh basis should not be granted in times of negative wholesale electricity prices.
- 6. Enabling compulsory, progressive opening of national schemes to exports of power/gas from other Member States**
- Existing provisions in the EEAG and REDII have proved inefficient to implement the cooperation objective. The revision of EEAG as well as REDII must therefore enable compulsory, progressive opening of national schemes to exports of power/ gas from other Member States, given that EU targets are for a level of RES consumption, not production.