

BEE Position

on State aid for environmental protection and energy –
proposals for the revised guidelines

Berlin, 09th December 2020



Position

The European Union's commitment to meeting the Paris climate targets and achieving climate neutrality by 2050 have led to major policy adjustments in the past years. In line with the revision of key framework legislation in the Clean Energy Package for All Europeans, the State Aid Guidelines for Environmental Protection and Energy (EEAG) are in dire need of an overhaul in order to accommodate for the flexibility required in expanding renewable energies that will curb EU emissions. The EC proposal to reduce GHG emissions by at least 55 percent by 2030 demonstrates the imperative to increase our efforts and requires further adaptation of legislation inter alia on Renewable Energy, Energy Efficiency, Energy Performance of Buildings, and Emissions Trading. When revising legislation and the state aid guidelines, the Commission should consider that there are numerous calls for at least 60 up to 65% greenhouse gas emission reductions, including from the EP asking for an at least 60% reduction target. The EEAG must not become an obstacle to our common ambition.

Renewable energy deployment is at the heart of this energy transition and requires serious on-going, flexible, smart and effective strategic support. To reach their climate goals EU member states need to significantly accelerate and increase the volume of the uptake of all available renewable energies and realise a truly integrated energy transition, which includes all sectors. State Aid rules should not hinder them to choose the most appropriate policies and measures to the end. The response to the Covid-19 pandemic has shown that the EU can act quickly and efficiently. Targeted and speedy action is not only necessary to mitigate the impacts of the pandemic, but also pave the way towards successfully overcoming the climate crisis and achieve carbon neutrality by 2050, but also for growing the EU's competitiveness and thus wealth creation for citizens and businesses. Building and growing renewable energy industries and installations require enabling frameworks and supportive mechanisms.

Moreover, it is very important that the renewable energy sector and independent renewable energy producers as well as citizens, renewable energy communities and prosumers can rely on a stable legal and regulatory framework and clear, robust national support schemes in all IEU Member States. The following is a set of recommendations for the revision of the EEAG, in order to accelerate the rapid uptake of renewables in all Member States.



I. Define Renewable Energies as matters of “public interest”

Given the urgency of mitigating the climate crisis in line with the Paris Agreement, the construction of renewable energy facilities and projects and support mechanisms should be defined as matters of “public interest” from now on. It is therefore necessary that most of these support mechanisms designed in the public interest get more leeway under state aid guidelines, thus accelerating the deployment of renewable energies, serving an enormous amount of time, and guaranteeing the security of investments which is crucial for investors. To achieve the European climate targets, an energy supply based on renewable energies is fundamental for transforming the economy and decarbonizing all sectors. The transformation can only succeed if the industrial sector and society are adequately supplied with electricity through direct use of green electricity or applications and technologies of sector coupling based on renewable energies. For this reason, relieving renewable energy projects as projects of public interest from too stringent and inflexible state aid scrutiny should be a major objective for the revision of the state aid guidelines, similar to the handling of infrastructure projects of common interest (PCI). For projects and funding mechanisms to which these criteria cannot be applied, the EEAG should nevertheless be significantly adapted.

II. Considering the diversity of actors

Small and Medium-sized energy producers, Cooperatives and Community Energy need appropriate regulation and support. Local opposition to RES projects has a serious impact on RES development. The encouragement of citizen participation in and ownership of renewable energy projects is crucial, as it will lead to an overall increase in public support for these projects. Therefore, barriers such as inadequate design of the de minimis regulation for mandatory auctioning, (market) premiums and feed-in tariffs should be revised.

In particular the provisions on wind energy in section 127 have to be specified and allow that wind energy developments of up to six generation units with a total capacity of up to 18 MW that are in majority ownership of community groups are exempt from mandatory auctioning. This has been announced by the EC in 2016 but has yet to be specified in the EEAG to provide MS with clear guidance. Considering that the size and capacity of wind turbines have increased significantly and will continue to increase in the coming years, we strongly suggest to increase the maximum capacity exempted from mandatory auctioning even further to 36 MW in order to reflect technological progress leading to single turbines with a capacity of over 6MW in the coming years. In order to further specify the need for SMEs and Communities to be granted a clear, transparent and enabling framework, aid for Cooperatives, as well as Citizens and Renewable Energy Communities should be dealt with in a separate chapter.

Renewable Energy projects are very capital intensive, the project cost of capital is a very significant parameter in auction competition. SMEs do not have the same access to capital financing as companies. Therefore, auctions without specific measures for SMEs are a distortion between competitors. From our point of view access to finance for SMEs could be greatly enhanced with a chapter specifically on the types of aid for SMEs. This would be in line

with one of the central aims of the Clean Energy Package to put citizens at the heart of the energy transition.

III. Creating the right framework for market integration of renewables

The emergence of negative prices on the electricity market follows the principle of supply and demand. The emergence of this time window due to an oversupply from inflexible fossil and nuclear power capacity on the electricity market is nothing to blame on variable feed-in of renewable energies. The currently installed capacities do not generate more electricity than demand. State aid guidelines that influence the production and feed-in behavior of system operators due to developments in the electricity market (such as Section 124 of the current EEAGs) must take this into account. Provisions should specify that the production of electricity may continue as long as no electricity is not used in a way that is distortive to market price dynamics. Instead, diversion into storage technologies or to other purposes such as the production of green hydrogen should be allowed. At the same time, the obligation to sell electricity directly in the market under all conditions should be reconsidered. Giving producers more leeway under specific circumstances such as negative electricity prices would ease the pressure on markets and be a crucial step towards a level playing field for all kinds of electricity. The revision of 124a and 124c thus go hand in hand. The emergence of negative electricity prices is not only attributable to renewable energies, but above all to fossil fuel power plants that feed into the grid in these time slots, because they are not or cannot technically be ramped down to avoid oversupply. The guidelines should therefore stipulate that measures are taken to enable production of RES energy at times when fossil production would not be necessary to meet electricity demand or other obligations fossil capacity has committed to.

The current EEAG specify in section 129 that aid schemes for individual generation units are limited in time and may online granted until the plant has been fully depreciated. Although this provision in theory is crucial to the advancement of renewable capacity market integration, the effect may be the opposite if unforeseeable events such as a global pandemic change market pricing dynamics for the worse and push fully operational renewable capacity out of the market, thereby rendering the market integration of renewables impossible after the expiry of initial support schemes. In order to account for such instances and cover the operating cost of operators, the guidelines should give countries enough scope of action to implement additional support schemes defying the limitations set by section 129. In line with European climate policy, the unnecessary shutting down of green generation capacity should be avoided by all means. Such life-extending support schemes are crucial to meeting the European emission reduction targets. The measures allowed should be considered as bridging schemes limited in time that enable market integration of renewable capacity in the medium term, and should be subjugated to prior approval by the EC.

IV. Bringing forward support schemes for integrated renewable energy projects including system services

Support schemes have emerged which provide aid to projects that combine a number of individual installations and/or technologies, which jointly can significantly secure and enhance

the system transformation by providing security of supply, including auxiliary, balancing and other system services. Such combined renewable energy projects include renewable installations of different technologies and sources such as storage as well as grid and system improvements and community participation. Good practice examples of such integrated projects/packages and their support should be promoted in order to encourage these highly beneficial initiatives EU-wide. Encouraging and supporting the development of integrated renewable energy projects would not only accelerate system integration of various RE technologies including across different sectors, but it would also accelerate the necessary system transformation towards a stable, reliable, integrated and affordable renewable energy system.

The focus must be on the expansion of projects that recognize renewable energies as the only primary energy source of the future (e.g. green hydrogen). Incentives or subsidies for investments in processes based on fossil fuels must be phased out quickly, as they prevent a successful and rapid energy system transformation and the achievement of climate goals.

V. Technology-specific auctions must be maintained

Each technology has its own characteristic in terms of performance for the power system beyond the criteria of energy as system services and capacity guarantee. Technology neutral tenders are not able to deal with these requirements for system stability. Therefore, Member States must continue to be free to choose appropriate technology specific remuneration mechanisms at their own discretion in order to accelerate the deployment of their preferred mix of renewables in all sectors.

Each Member State has an energy mix, a specific grid and balancing situation, specific renewable energy roll-out and pathways, geographic and meteorological conditions, political and societal considerations and markets and regulatory frameworks which are unique to it. Insisting that state aid be granted, as a rule, on a technology-neutral basis has had, in many Member States, the effect of funnelling support to projects that are advantaged in presenting winning bids. These projects, however, may not be the best adapted to the territory or to the specific system change needs of a specific locality and region.



As German umbrella association for the renewable energy sector, the German Renewable Energy Federation (BEE) bundles the interests of 45 specialised associations and companies. We connect the wind, bio, solar, geothermal and hydropower sector with each other. That way, we represent 30,000 individual members, among them more than 5,000 companies, 316,000 jobs and more than 3 million power plant operators.

Our goal: 100 percent renewable energy in electricity, heating and transportation.

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