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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT
Accompanying the document
COMMUNICATION FROM THE COMMISSION
Guidelines on State aid for climate, environmental protection and energy 2022
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Executive Summary Sheet
Impact assessment on the revision of the Guidelines on State aid for environmental protection and energy (EEAG)
A. Need for action
What is the problem and why is it a problem at EU level?
The problems that have been identified for the revision of the EEAG (the future guidelines being renamed as the 'Climate, environmental protection and energy guidelines' or 'CEEAG') are: (i) the EEAG are not adapted to new technologies or new types of aid measures; (ii) the EEAG inadequately reflect recent developments in EU climate, environment and energy policy; (iii) competition distortions and cost-effectiveness concerns are insufficiently addressed in view of the scale of national spending in this area; (iv) the compatibility assessment rules are sometimes overly complex, difficult to apply or lack consistency; and (v) the effectiveness of the rules concerning levy exemptions for energy intensive users (EIUs) is unclear. The stakeholders most affected by the revision of the EEAG are aid-granting authorities in the Member States, and companies across the EU (as eligible or actual beneficiaries). The EEAG apply to all business sectors and across the EU. The EEAG were reviewed as part of the Fitness Check of the 2014 State aid modernisation package and an <i>ex post</i> evaluation conducted.
What should be achieved?
The general objective is to adapt the EEAG to enable Member States to provide aid that contributes to achieving the EU's environmental and energy goals, while ensuring minimisation of distortions of trade and competition, and the development of competitive, innovative and sustainable energy-intensive industries. To this end, the revision will pursue seven specific objectives: (i) ensuring the coherence of the EEAG rules with EU policy goals in the field of climate, energy and the environment; (ii) improving the capacity of the EEAG rules to adapt to technological and financial developments; (iii) minimising market distortions; (iv) ensuring administrative simplification; (v) ensuring cost-effectiveness of aid; (vi) avoiding carbon leakage due to high electricity levies financing decarbonisation policies; (vii) preserving the incentives for a cost-effective decarbonisation of EIUs.
What is the value added of action at the EU level (subsidiarity)?
The subsidiarity principle does not apply as the Commission has an exclusive competence in this field.
B. Solutions
What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?
A series of options addressing the following five policy questions have been examined: (A) Should the rules for granting aid for the reduction of GHG emissions be aligned across different technologies or sectors? (B) How to facilitate the granting of aid for measures that contribute to the Green Deal, while minimising market distortions? (C) Should tendering be extended to become the default option for aid for the reduction of GHG emissions, and if so, how broad and encompassing should tenders be? (D) Should projects be differentiated based on their environmental merits to be aligned with the Green Deal? If so, how? (E) How to strike the right balance between difficult trade-offs when granting EIUs exemptions from electricity levies as a form of support (e.g. relocation risk vs. competition distortions; electrification vs. electro efficiency). The preferred options are: (A) Partially harmonising the rules for granting aid according to sectoral characteristics; (B) Facilitating the granting of aid through allowing more types of aid, recognising new costs, and block exempting more aid – albeit with safeguards to prevent market distortions; (C) Requiring multi-technology competitive bidding unless justified; (D) Generally differentiating projects by fuel type; and (E) Allow levy reductions based on a single eligibility list at sector level
What are different stakeholders' views? Who supports which option?
Respondents to the public consultation on the draft of the EEAG are generally supportive of the objectives of the revised EEAG, which reflect the preferred options. The significant amount of reactions on the proposed rules on EIUs have been taken into account in the development of the related options. Businesses and associations/NGOs

have varied views on some of the proposed safeguards and limitations (e.g. the level of exemptions for EIUs, the issue of support for fossil fuels, alignment with sectoral rules and with the EU Taxonomy, the public consultation and tendering requirements). Member States have contrasting views on some issues.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

The preferred options would encourage pro-competitive schemes and more competition between technologies within a single scheme, would avoid duplication of rules and provide shorter guidelines. They would also accommodate future financial and technology innovation and offer a harmonised approach beneficial for companies, in particular for SMEs. They would facilitate ca. €32 billion of aid (2022-2030) with more flexible and cost-effective compatibility conditions, enabling more eligible costs to be covered through both investment and operating aid, and would avoid emissions of ca. 41 MtCO₂. In terms of administrative simplification, over the period 2022-2030, ca. 20-50 notifications would be avoided due to the broadened block exemptions and ca. 40 notifications would be avoided due to the reduced requirement for individual notifications. The requirement to conduct public consultations of the proposed schemes would lead to increased legal certainty and improved transparency. They would lead to cost-effectiveness gains and would avoid emissions of ca. 37.5 MtCO₂, with a neutral impact on administrative burden for authorities. The preferred options would support the phase-out of the most polluting fossil fuels (e.g. oil, coal, lignite), with a positive environmental impact as the fuels result in about twice the GHG emissions as from natural gas. The preferred option on EIUs will allow to enhance protection against carbon leakage and support to the decarbonisation of EU industry with no increase in competition distortions. In terms administrative simplification, the rules would provide greater clarity, thus reducing complexity, in particular for SMEs. Nevertheless, these estimates are speculative, as Member States, rather than the Commission, decide the actual aid amounts.

What are the costs of the preferred option (if any, otherwise of main ones)?

Special interests groups representing specific energy technologies have expressed concerns that common rules for almost all GHG reduction measures might result in lower incentives to invest in their technologies (non-quantifiable impact). In terms of costs for public authorities, the requirement to quantify environmental protection cost would increase the administrative burden (cost estimate of €100 000 per scheme involving over €150 million of aid annually) as would the requirement to conduct public consultations (not estimated to be significant). Regarding tendering, the impact on administrative burden for public authorities is expected to be neutral but there would be a higher administrative burden on companies, which would be counterbalanced for SMEs by the broadened scope of exemptions from notification. For fossil fuels, costs for society and for the environment would materialise through the fact that State aid for some fossil fuel assets would still be allowed for a limited period.

What are the impacts on SMEs and competitiveness?

Whereas certain options may negatively impact SMEs, many changes will also benefit SMEs, most notably reducing the administrative burden of a greater number of small aid schemes, and facilitating aid to energy efficiency – a sector in which SMEs are well-represented. The policy options also include mitigating measures to reduce the burden on SMEs. Specific impacts on SMEs cannot be quantified. All business sectors are covered by the EEAG and the impacts on cost-effectiveness of investment decisions and in terms of preservation of competitiveness, support for new market entry and avoidance of distortions of competition are expected to be highly positive.

Will there be significant impacts on national budgets and administrations?

The revised EEAG will not mandate any expenditure or, conversely, impose restrictions on the level of financial support that Member States may direct at investments aimed at energy and environment objectives. At the level

of individual measures or projects, the rules contained in the CEEAG will however set certain limits on aid amounts, aid intensities, types of beneficiaries and eligible costs. The CEEAG will thus influence Member States' ability to support investments in favour of climate change mitigation, environmental protection and energy efficiency and security of supply, notably for investments supported by the RRF and other funds under NextGenerationEU.

Will there be other significant impacts?

Quantifiable environmental benefits are presented above as part of the general benefits.

Proportionality?

The preferred options effectively and proportionately address the identified problems.

D. Follow up

When will the policy be reviewed?

The CEEAG will be subject to an *ex post* evaluation in preparation for their next revision. The Commission intends to begin a mid-term evaluation of these guidelines by 31 December 2027.