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# EEX Consultation Response – CEEAG & GBER

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# 1. Introduction

State aid support should be an option of last resort and where necessary be limited in scope and time<sup>1</sup> to avoid interference with the lead policy instruments such as the internal electricity market and the EU ETS.

The European Energy Exchange AG (EEX) welcomes the opportunity to respond to the European Commission's consultation in the context of the revision of the Climate, Energy and Environmental Aid Guidelines (CEEAG) and the General block exemption Regulation (GBER). The EEX supports the revision as it marks a pivotal step to meet the objectives set under the European Green Deal and transform the EU into a carbon neutral economy by 2050. The EEX supports the Commission's central idea, that an enlargement of the scope and the flexibilization of compatibility rules will only work efficiently towards the set-out objectives, if they are closely accompanied by safeguard mechanisms.

The EEX approves the Commission's overall objective that aid will always have to meet the following three safeguard criteria. **To ensure a harmonized and efficient functioning of the revised CEEAG and GBER it will be essential, that aid is:**

- (i) Effectively directed where it is needed to improve environmental protection,**
- (ii) Limited to what is needed to achieve the environmental goals, and**
- (iii) Non-distortive to competition or the integrity of the market.<sup>2</sup>**

Instruments that do not fulfil these three safeguard criteria must be avoided. Exemplarily, and as further elaborated in the following, the introduction of CCfDs could mean a paradoxical zero-sum game, especially against the background of the planned expansion and reform of EU emissions trading – and thus expected higher CO<sub>2</sub> prices – strengthening EU emissions trading on the one hand, but weaken it on the other.

It is essential, that the EU competition policy ensures the cost-effective and efficient implementation of the Green Deal while maintaining the level playing field. The following three sub-chapters of our consultation response will elaborate on the most crucial issues by laying out our argumentation why we are (i) supporting, (ii) call for improvement and (iii) suggest changing certain aspects within the revision of the CEEAG and GBER.

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<sup>1</sup> "Since investments are irreversible, policymakers face the risk of being locked in an outdated technology which may not become cost-effective even in the long term." Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, p.IV, line 15-19

<sup>2</sup> European Commission, DG Competition. (2021, 07 12). Public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG). Retrieved from [https://ec.europa.eu/competition-policy/public-consultations/2021-ceeag\\_de](https://ec.europa.eu/competition-policy/public-consultations/2021-ceeag_de)

## 2. What we support

- **The usage of state aid does not provide an adequate long-term solution to deeper-rooted problems responsible for residual market imperfections**
- **Residual market imperfections should be addressed through market-based instruments or demand-side measures**
- **Competitive bidding should clearly be prioritized for cost-efficient aid allocation**

### 2.1 Ensuring the limitation of State aid to the minimum necessary

We support the Commission's approach **to address residual market imperfections through urging the Member States to prioritize the usage of better placed instruments** such as market-based instruments or demand-side measures involving regulation, public procurement, or standardization, as well as an increase in funding of public infrastructure and general fiscal measures.

However, given the fact that residual market imperfections are mainly driven by inadequate policy framework or lacking policy coherence we clearly disagree to use such a strong wording of "residual market failure". Instead we advise to use the term "market imperfection" to reflect the potential of improving markets by improving the framework they are operating in.

Therefore, residual market imperfections stemming from production economies, information imperfections or transaction costs should clearly be defined and directly solved through a thoughtful political and regulatory adaption of the market framework. **The usage of State aid does not provide an adequate long-term solution to the deeper-rooted problems responsible for residual market imperfections.**

We completely agree with the Commission that where no other possibility is available and State aid is awarded, it needs to be applied in the least distortive form for trade and competition also when awarded for environmental protection. It is crucial that in any case, **there must not be a less distortive policy or aid instrument capable of achieving the same results.** The three criteria (i-iii) proposed by the Commission should be in the centre of decision making regarding the application of State aid.

We are strongly in favour of point 36 of the CEEAG under which the Commission presumes that no market failure (better: market imperfection) can be present, if projects or activities are similar to those that are already delivered in the Union at market conditions. Given the existing market competitiveness of renewables, we encourage the Commission's position to not regard contracts for differences for such technologies and work towards their complete market integration.<sup>3</sup>

### 2.2 Competitive bidding for aid allocation

To ensure that aid will comply with the three safeguard criteria, we believe that the Commission takes the right approach in **clearly prioritizing the usage of competitive bidding for aid allocation.** The approach of competitively setting support levels and thereby offering more accurate cost discovery is

<sup>3</sup> Malte Jansen, I. S. (2020, July 27). Nature. Retrieved from Offshore wind competitiveness in mature markets without subsidy: <https://www.nature.com/articles/s41560-020-0661-2>

supported throughout the EEAG revision support study.<sup>4,5,6</sup> The study even comes to the conclusion, that “**state aid for RES-E must be granted through a competitive bidding procedure. The rationale is that auctions should lead to the minimization of support cost by having several stakeholders compete for support. There is a consistent literature confirming that auctions in the energy sector lead to a reduction of support over time (Cozzi, 2012, Lieblang, 2018, AURES, 2016b).**”<sup>7</sup> Del Rio et al. (2014), Cassetta et al. (2017) and Eberhard (2014) also find that auctions can lead to lower support, when compared to other schemes (e.g. FITs).<sup>8</sup>

Under the premise that the Commission will ensure the application of the criteria listed under point 48 (a)-(d) we clearly support the mechanism of a competitive bidding process. Efficient and harmonized competitive bidding processes are in our opinion crucial to ensure the proportionality of the aid.

<sup>4</sup> “Competitively set support levels appear to offer a solution to this problem (administratively set operating aid) by offering more accurate cost discovery.” Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, p.VII

<sup>5</sup> “By stimulating the competition among potential beneficiaries, the use of competitive bidding procedures may lead to cost discovery and help limit the aid to the minimum needed.” Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, p.39

<sup>6</sup> “Where within one technology both competitive tenders and administrative schemes were used, the administrative schemes were costlier” Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, p.41

<sup>7</sup> Cozzi (2012) provides evidence that under the NFFO (Non-Fossil Fuel Obligation: introduced by the Electricity Act 1989, it consisted of five auctions calling for bids for Power Purchase Agreements to produce electricity from non-fossil sources, it was substituted by a quota system with the Utilities Act 2000) in UK the price of electricity from renewables dropped significantly, particularly for onshore wind (from 10p/kWh in NFFO1 to 2.88 p/kWh in NFFO5) (similar results hold for Brazil and China). Similar conclusions are reached by Lieblang (2018) in Germany (who analyses the results of the tenders for onshore wind under the EEG revision) and AURES (2016b) who analyse auctions for RES in 8 EU countries and 4 non-EU countries: each country reported efficiency gains, either over time or when compared to previous support schemes, with results in California, Brazil and South Africa being remarkable (average contract prices across all utilities in California fell from €79.5/MWh in the first round to €70.5/MWh in the third one, in Brazil the average final price was €54/MWh, about 60% lower than under Proinfa – the previous FIT programme).

<sup>8</sup> Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, 1.2.3

### 3. What we think should be improved

- **Application of aid should only be an option of last resort**
- **Strengthening of the EU ETS as the leading instrument for Europe's climate protection and ensuring that carbon reduction targets are reached in the most cost-efficient manner**
- **Ensuring a clear and reliable phase-out perspective is provided by any support scheme**
- **Further highlighting and clearly defining the principle of market integration**

#### 3.1 Strengthening the EU ETS

The application of **aid should only be an option of last resort**. Wherever possible, the **focus should be based on market mechanisms, such as the EU ETS**.

The EU ETS and the related carbon markets have been developed over the last one and a half decades to robust and mature instruments for climate action and to the global standard for well-functioning emissions trading systems. The price of EUAs is freely determined by the market while supply declines in a linear trajectory. Thereby, **the EU ETS functions as the leading instrument for Europe's climate protection and ensures that the carbon reduction targets are reached in the most cost-efficient manner**, working directly towards the achievement of the decarbonization objectives.

To ensure that the proposed, more ambitious EU carbon reduction objectives – at least 55% by 2030 – are met, **the efficient and effective functioning of the EU ETS needs to be ensured**. Strengthening the carbon price by setting an appropriate cap and linear reduction factor will safeguard that low carbon product technologies are competitive. As decarbonisation needs to take place across all economic sectors, the single carbon price signal is pivotal for the required sector integration. Any additional non-market-based support addressing the same challenges as the EU ETS, clearly undermines the trust into its efficient functioning. Arguing that State aid is needed because the EU ETS does not yet deliver the necessary investment signals, creates uncertainty for investors and consequently prohibits large private sector investment into decarbonization technologies.

**Any aid undermining the effectiveness of the EU ETS price signal as a short and long term operational- and investment decision driver needs to be avoided. We therefore encourage the Commission to ensure that further trust into the EU ETS as a functioning market-based instrument is established.**

#### 3.2 Market integration of Renewables

We urge the Commission to fully integrate renewables into the market to contribute and to be exposed to an efficient price signal. **Fully market integrated renewables are both necessary and feasible.**

**It is in the interest of the Commission that State aid for mature technologies is avoided.** Considerable amounts of renewables are already being successfully integrated into the European power market, today. A concrete example for a negative impact of renewables not being completely integrated into the functioning market is the remuneration of RES during periods of negative prices.

**While the current CEEAG foresees no support of renewable electricity at negative prices as a rule, it allows too wide exemptions with no clear termination provision.** This failure is impressively illustrated by the recent example of the German EEG amendment. Instead of terminating the “6h rule” after a sufficient temporary utilization, the rule will be prolonged together with and adapted as a “4h rule”. But a clear termination date is missing. Such “prolongation-chains” need to be avoided by clear provisions.

We therefore call upon the Commission to follow its own proposition of safeguards and ensure that:

- **Any support scheme will be required to provide a clear and reliable phase-out perspective:** While support schemes with operational aid usually limit the support period for every entitled subject, e.g. to 20 years, support schemes as such are not limited in time. Nevertheless, the necessity of support schemes at all should be linked to criteria such as thresholds for the share of renewables or economic criteria such as the cost competitiveness (e.g. by levelized cost of electricity). Otherwise, the risk occurs that even if the support for entitled renewables would end after 20 years it is still prolonged for political reasons.
- **The principle of market integration is further highlighted and clearly defined:** While the current EEAG is already referring multiple times to the principle of market integration for renewable energies as a general note, a clear definition of market integration as well as clear criteria based on this are missing. Consequently, a revised EEAG should take a further step into the right direction and include both a definition of market integration as well as a legal requirement to ensure the non-distortion of the functioning of the electricity markets as defined in art. 2 no. 9 of the directive (EU) 2019/944.<sup>9</sup>

Proposal for a definition of market integration of renewable energies:

*Market integration is a process which continuously improves the marketing of power generated from renewable energy sources. This has the objective of ensuring that producers and consumers of power from renewable systems respond fully to the market price signal. In this context, the requirement is that income from marketing on the power markets is maximized while government funding/aid is minimised. The use of market mechanisms avoids misallocations, which would otherwise be caused as a result of the assumption of risks by the state.*

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<sup>9</sup> ‘electricity markets’ means markets for electricity, including over-the-counter markets and electricity exchanges, markets for the trading of energy, capacity, balancing and ancillary services in all timeframes, including forward, day-ahead and intraday markets

## 4. What we think should be changed

- Preventing operating aid due to considerable distortive effects on energy markets
- CCfDs should be waived to avoid unforeseeable consequences on current and future market-based mechanisms
- Usage of investment grants situated outside of the carbon market as the sole acceptable form of aid
- Avoid the allocation of State aid for mature technologies
- Application of necessity of aid criteria: the general appropriateness criteria of aid need also to be applied to the aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy

### 4.1 Operating aid vs. investment aid

We do not agree that the different instruments for operational aid mentioned in the questionnaire – fixed feed in premium, variable premium and two-way contract for difference – are suitable in terms of incentivising new investments while keeping markets distortions limited to the minimum.

Table 1 clearly summarizes the advantages of investment aid in comparison to operating aid. Following the Commission’s line of argumentation, **investment grants situated outside of the carbon market are the sole form of aid that completely satisfy all three safeguard criteria and should therefore be used to promote investments** in new technologies without interfering with the functioning of functioning market mechanisms (ex. EU ETS). As investment aid lowers the risk of market distortions compared to operating aid and is easier to phase out, support schemes should be designed as a form of direct payment or tax relief. Furthermore, the findings of the EEAG support study show that “*grants had the highest effect on investment levels*”<sup>10</sup> and that investment aid does not score lower than operating aid regarding the effective securitization of investment.<sup>11</sup>

As we can see from the table and contrary to investment aid, **operating aid can have considerable distortive effects on energy markets** and as argued in the following, even work against the overall objective of a carbon neutral economy by 2050.<sup>12</sup> The EEAG support study states that “*price-based operating aid combined with the low marginal cost of PV, wind and hydro can have a distortive effect on markets, in some cases causing negative prices.*”<sup>13</sup> These “**Low market prices, and particularly negative market prices, may harm renewable energy investment as investors may not obtain the necessary return to cover investment costs. Equally, if they led to investment decisions being subsidy-driven and not driven by market-price signals this may lock-in a subsidy dependent pathway.** Hu et al.

<sup>10</sup> Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, p.54

<sup>11</sup> Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, p. VI

<sup>12</sup> Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, p.54

<sup>13</sup> Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, p. VII



(2018) argue that this could lead to vicious cycle where price-based operating aid enlarges the gap between investment costs and market value which leads to renewable energy projects requiring more subsidies to break even. This then further disincentivizes renewable energy producers from maximizing market revenue, leading to a larger gap between investment costs and market revenues.”<sup>14</sup>

Table 1:

Criteria/Aid	Investment Aid	Operating Aid
(i) Effectively directed where it is needed to improve environmental protection	Investments are effectively incentivized	Investments are effectively incentivized
(ii) Limited to what is needed to achieve the environmental goals	Investments are efficiently incentivized	Risk of exuberant level of aid
(iii) Does not distort competition or the integrity of the internal market	No distortion as outside of the product market	No full exposure to the market price signal

Source: European Energy Exchange

## 4.2 Avoidance of CCfDs

We see the introduction of carbon contracts for differences (CCfDs) under point 103 to further incentivise the decarbonisation of high-emitting industrial sectors very critical. Even though CCfDs are widely discussed with different legislative initiatives on European and national levels<sup>15</sup> an impact assessment on the interaction of CCfDs with market-based mechanisms such as the EU ETS is missing so far. The EEAG revision support study even concludes that “*there is no literature that deals with the topic*”.<sup>16</sup> Additionally, as we believe that the introduction of the new terminology of CfDs and CCfDs is counterproductive, as they clearly fall under the already existing terminology of market premiums. Overall, we are convinced that this type of support should not be deemed in line with the State Aid Guidelines.

Besides a proper impact assessment missing, the introduction of CCfDs should be prevented as CCfDs are:

<sup>14</sup> Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, 2.2.8

<sup>15</sup> The EU Industrial Strategy argues for CCfDs within the framework of the EU ETS Innovation Fund. [\[link\]](#) The Netherlands supports large-scale CCS project with CCfD. [\[link\]](#) German federal Ministry of Environment announced a pilot scheme for CCfDs in 2021 for industrial-scale production facilities in the steel, cement, lime, and ammonia sectors that would significantly reduce process-related emissions. Germany noted that such a scheme will first require EU state aid approval. [\[link\]](#)

<sup>16</sup> Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, 1.2.2; “As it will be discussed below, among these measures, carbon contracts for differences have recently gained increasing attention. This section does not assess, however, how the subsidy design takes into account the impact on competition as there is no literature that deals with this topic.”

- **Weakening the EU ETS price as trusted investment signal:** Market intervention undermines the credibility of the system as such.<sup>17</sup>
- **Reducing the efficiency and liquidity of the EU ETS market:** Industrial market participants benefiting from CCfDs have a reduced need for acting/hedging on the secondary carbon market, leading to reduced liquidity and thus less efficient price-formation.
- **Undermining cost-efficient emission reductions:** Downward pressure on EUA market volumes leads to the need for adjustments of ETS parameters such as the overall cap and/or linear reduction factor. While emissions may decrease at project level, the overall cap will not. This will lead to freeing up EUAs, which will be bought and used by other emitters in Europe. **More money than necessary is spent, and EU-wide emissions did not decrease, a phenomenon often dubbed the ‘waterbed effect’. Most critically, this is a fundamental contradiction with the objective of the EU ETS “to promote reductions of greenhouse gas emissions in a cost-effective and economically efficient manner”.**<sup>18</sup>
- **Interacting to an unknown extent with other EU ETS parameters** such as the Market Stability Reserve (MSR), free allowances<sup>19</sup> as well as other forms of subsidies or taxes. Investment grants or free allowances under the EU ETS should be considered to avoid **double subsidisation and sub-optimal use of public funds.**<sup>20</sup>
- **Implying an unequal playing field between industrial companies or sectors:** Non-beneficiaries of CCfDs could have dual disadvantage by not benefiting from the CCfDs and, additionally, are financing the state funding of CCfDs via the EU ETS.<sup>21</sup>
- **Introducing an unnecessary complexity when it comes to allocation:** The strike price not only differs between sectors but also within the same sector two projects can have significantly

<sup>17</sup> As stressed as well by senior European Commission officials in the context of the EUA price rally [\[link\]](#) and applies equally to potentially harmful instruments such as CCfDs.

<sup>18</sup> European Parliament and Council. (2008, November 19). Directive 2008/101/EC of the European Parliament and of the Council. Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32008L0101>, Article 1

<sup>19</sup> Gerres, T., & Linares, P. (2020). Carbon Contracts for Differences: their role in European industrial decarbonization. Retrieved from <https://climatestrategies.org/publication/carbon-contracts-for-differences-their-role-in-european-industrial-decarbonisation/>

<sup>20</sup> For example, in Germany it is currently discussed to introduce a CfD to cover the gap between the import price for hydrogen and the actual sell price (H2global project). The reason for that is that in the beginning the production costs for H2 will be higher than hydrogen consumers are willing to pay as this would cause a competitive disadvantage for them. In consequence that would mean that companies receiving a CCfDs for changing their mode of production would also receive subsidized hydrogen. The question would be whether that is justifiable. Compared to companies not receiving a CCfD they might have the competitive advantage to make cheaper bids for buying hydrogen.

<sup>21</sup> “Disadvantages include that a CCfD is nonetheless still subject to government (or government entities) bearing the risk of ETS price variability, market power risks and potential cost increases from a lack of external pressure to be efficient. A particularly important trade-off on decarbonization of specific industries against efficiency can be observed in the decision that would be made over whether to set prices of CCfD tenders within an industry or across industries. For example, steel and ammonia would have limited incumbent competition in single-industry competitive bidding processes as 20 Member States have 1 or 0 incumbent steel facilities, and 18 Member States have 1 or 0 incumbent ammonia facilities. If CCfD competitive bidding processes run across multiple industries, efficiency will be enhanced, but some industries might be likely to achieve higher decarbonization than others due to having technologies with lower costs of achieving CO2 reductions than others.” Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, p. VIII

different carbon abatement costs. Existing examples show the complexity and time-consuming nature of this process.<sup>22</sup>

- **Increasing the risk of ETS market price fluctuation through unpredictable government policies or price manipulation:** According to the EEAG revision support study, there is a financial incentive for govts. to raise EU ETS prices to avoid the financial risk or even to turn CCfDs into a revenue generating entity: “*an entity (that can be presumed to be government backed) is guaranteeing a payment to the investor when the ETS price is less than the project CCfD contract price.*”<sup>23</sup> This creates a risk for the government as the financial backer of the guarantor entity. Ultimately, to counteract these risks, government may have financial incentives to raise ETS prices to avoid the financial risk or even to turn the CCfD into a revenue generating entity by making ETS prices exceed the project CCfD contract price.” This argumentation is backed by the findings of the German Institute for Economic Research (DIW).<sup>24</sup>

If CCfDs would be implemented, it will be necessary that these contracts are designed in such a way that they are “*compatible with the expected reforms of the EU ETS, such as an adjustment of free allocations or the introduction of a Carbon Border Adjustment Mechanism (CBAM).*”<sup>25</sup> A compatibility can only be assured if the overall budget allocated to the CCfD is fixed in advance. The most effective safeguard to reduce the risk for competition in the market as well as the unforeseeable consequences on current and future market-based mechanisms, is to waive CCfDs completely. If, from an industrial policy perspective, aid for the industry is necessary, investment grants should be used with priority to incentivise the decarbonisation of the industry which provenly avoids a negative impact on functioning market-based instruments such as the EU ETS.<sup>26</sup>

### 4.3 Ensuring the consistent application of the necessity of the aid criteria

The decision for the non-application of points 33, 34, 35 and 36 (on the necessity of aid) to the aid regarding the reduction and removal of greenhouse gas emissions including through support for renewable energy in chapter 4.1 is incomprehensible.

It is the objective of the CEEAG to ensure the minimisation of distortions of competition and trade across different technologies and markets within the European Union. Existing and functioning policy instruments and market-based mechanisms such as the EU ETS should be strengthened to solve residual market imperfections. It is therefore essential that especially point 34, on the necessity of the

<sup>22</sup> For example, the Hinkley Point project. After years of negotiations, discussions still go on whether the strike price is too high/low

<sup>23</sup> Directorate-General for Competition. (2021). EEAG revision support study - Final Report. Luxembourg: Publications Office of the European Union, 2.4.3

<sup>24</sup> Richstein, J. C., Kröger, M., Neuhoff, K., Chiappinelli, O., & Lettow, F. (2021, April 15). DIW. Retrieved from Carbon Contracts for Difference: An assessment of selected socio-economic impacts for Germany:

[https://www.diw.de/documents/dokumentenarchiv/17/diw\\_01.c.816075.de/cfm\\_traction\\_germany\\_april2021.pdf](https://www.diw.de/documents/dokumentenarchiv/17/diw_01.c.816075.de/cfm_traction_germany_april2021.pdf)  
<sup>25</sup> Agora Energiewende, Stiftung Klimaneutralität & Agora Verkehrswende. (2021, June 10). Politikinstrumente für ein klimaneutrales Deutschland - 50 Empfehlungen für die 20. Legislaturperiode (2021-2025). Retrieved from [https://static.agora-energiewende.de/fileadmin/Projekte/2021/2021\\_06\\_DE\\_100Tage\\_LP20/A-EW\\_219\\_Politikinstrumente\\_klimaneutrales\\_Deutschland\\_WEB.pdf](https://static.agora-energiewende.de/fileadmin/Projekte/2021/2021_06_DE_100Tage_LP20/A-EW_219_Politikinstrumente_klimaneutrales_Deutschland_WEB.pdf)

<sup>26</sup> European Energy Exchange AG. (2021). Discussion Paper: Carbon Contracts for Difference (CCfD) - impact on EU ETS and further open questions. Leipzig: European Energy Exchange AG.

aid is applied throughout the Union without reservations. **A non-application of this criteria cannot be justified by the mere existence of residual market imperfections, especially not in front of the background of the planned reform of the EU ETS in the context of the Green Deal.** The planned faster reduction of CO<sub>2</sub> emission allowances within the EU ETS will lead to rising prices and consequently resolve the residual market imperfection, through the further cost-internalization of CO<sub>2</sub>-emissions. This applies to the subsidies for the generation of renewable electricity addressed in Chapter 4.1, as well as subsidies for emission avoidance in industrial processes.

Furthermore, it is incomprehensible why the principle enshrined in point 36 that no market failure can be assumed where “*projects or activities which, with respect to their technological content, level of risk and size, are similar to those already delivered within the Union at market conditions*” should not be applied to the aid regulated in chapter 4.1. Aid for projects and activities that would also be realised without corresponding state support clearly distort competition and create unnecessary financial burdens for the public sector, consequently burdening the broad economy via tax or levy systems.

**To ensure coherence throughout the CEEAG, we call upon the Commission to apply the general appropriateness criteria of aid (Section 3.2.1.2) to the aid regulated in chapter 4.1.** As argued above, it would be incomprehensible why decarbonisation targets should be exempted from fulfilling the criteria safeguarding competition and trade within the European Union.

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## About EEX

The European Energy Exchange (EEX) is the leading energy exchange in Europe which develops, operates and connects secure, liquid and transparent markets for energy and related products. As part of EEX Group, a group of companies serving international commodity markets, EEX offers contracts on Power, Natural Gas and Emission Allowances as well as Freight and Agricultural Products. EEX also provides registry services as well as auctions for Guarantees of Origin, on behalf of the French State: [www.eex.com](http://www.eex.com)

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