



Danish Ministry of Climate,  
Energy and Utilities

**Date**  
29. august 2019

## **Evaluation of the guidelines on State aid for Environmental protection and Energy 2014-2020**

The Danish Government welcomes the opportunity to comment on the evaluation of the Guidelines on State aid for Environmental protection and Energy 2014-2020 (EEAG).

The Danish Government finds that the EEAG has played and continuously plays an important role, not only in relation to the regulation of the internal market, but also in relation to fulfil and meet EU's energy and climate targets and objectives for 2020 and 2030.

The Danish Government has no objections to the proposed extension of the EEAG to 2022. It is, however, important that the evaluation of the EEAG takes into consideration that more ambitious energy and climate targets for 2030 have been adopted and that "new elements" have been introduced in the newly adopted sector legislation implementing the 2030 targets. The Danish Government also finds it important that the evaluation looks into how the EEAG and the supplementing articles in the GDPR can be revised in order to make them as future proof as possible and in order to align them with the Commission's vision for a climate-neutral Europe in 2050.

### *The current EEAG*

Denmark is of the opinion that the key principle of the EEAG concerning aid for energy from renewable sources should be maintained, thus establishing that aid as a main rule only can be granted in a competitive bidding process on the basis of clear, transparent and non-discriminatory criteria, unless certain explicitly described circumstances are in place, cf. article 126. Technology-neutral bidding processes are future proof and key in the green transition of the energy sector. The existing option to limit a bidding process to specific technologies should only be maintained as long as an open process which includes all technologies would lead to a suboptimal result.

### *Alignment with the revised Renewable Energy Directive*

With the newly revised Renewable Energy Directive (2018/2001/EU) which enters into force in 2021 the legislation concerning renewable energy has been brought up to date, and a number of new requirements to renewable energy technologies, criteria etc. have now been included in the EU legislation. This "modernisation" of the directive can raise questions whether the EEAG and GBER still are satisfactory aligned with the rules on renewable energy.

Denmark therefore urges the Commission to align the legislation accordingly. The Danish Authorities have identified some elements which would be relevant to elab-



orate further on in the context of the revision of the EEAG and the elements in GBER.

- *The sustainable criteria:* Denmark would appreciate further guidance on possible connections between the sustainability criteria in the Renewable Energy Directive and state aid regulation. There is a need to clarify whether it will be possible for Member States to make use of additional national sustainability criteria for e.g. biomass and biogas used for electricity, heating and cooling, industrial purposes, upgrading for injection in gas grid, and link the compliance of the national sustainability criteria to existing aid schemes.
- *Guarantees of origin:* The extensive use of guarantees of origin in the Renewable Energy Directive raises questions about how to implement these in connection with state aid regulations.
- *Biofuels:* The current scope and definitions in the guidelines should be considered in order to accommodate e.g. renewable liquid and gaseous transport fuels of non-biological origin and recycled carbon fuels. In connection with these fuels it should be considered to include not only production, but also conversion of energy. In general it is from a Danish point of view still necessary, to carry on the absolute ban on aid for food-based biofuels, which enters into force from 2021, but when it comes to supporting the use of instruments as CO<sub>2</sub> taxes which have shown to be a valuable supplement to reach the EU's renewables energy targets for the transport sector, the rules should be made more flexible, e.g. by, to a larger extent, allowing for aid for biofuels covered by a supply or blending obligation.

#### *Future proof guidelines*

The speed at which technologies develop underlines the need to try to future proof and include further technologies, not only in the EEAG, but also in the GBER, as the time factor is very important in relation to the development of new schemes. The prolongation of the validity period of the current state aid regulations further underlines these issues. Denmark would in this respect especially highlight the following:

- It is for the moment e.g. not clear whether it would be possible to link the completion of energy saving measures to aid schemes, thus making the right to aid dependent on achievement of the target for energy savings. All Parties in the Danish Parliament have for example in 2018 agreed upon an energy agreement with ambitious goals and initiatives for the green transition which includes wishes to implement aid schemes that have a high degree of additionality. In relation to this the completion of energy saving measures to aid schemes has popped up and the issue that this could be seen as a possible conflict with the EEAG concerning aid intensity and eligible costs. These initiatives are planned to be a part of the Danish effort to comply with the energy savings obligations



of the Energy Efficiency Directive, article 7. Clarification on this point would therefore be highly useful.

- The use of converted fuels such as hydrogen makes storage of electricity on a large scale possible. The possibility of aid to this type of storage in the EEAG and GBER would therefore be very valuable. Also, more flexible possibilities for aid to schemes that combine technologies from different sectors, e.g. conversion of electricity from solar and wind power to heating with heat pumps, are important for the Member States in relation to fulfil the green transition.
- The GBER is a very useful instrument to designing and implementing aid schemes within a reasonable time frame. In order to make the regulation even more applicable to the needs of the green transition it would be useful to supplement the current regulation with possibilities that can accommodate new technological developments even better. The possibility of higher aid intensity to micro and small companies – including marketing expenses – would be highly relevant in order to support the development of innovative energy technology. Furthermore, it should be considered to raise the notification thresholds in order to alleviate administrative burdens.
- Furthermore, in relation to renewable energy resources, an extension of the scope of the EEAG and GBER to include aid to repowering projects would be appreciated, as repowering of existing renewable energy projects are becoming relevant in the near future. In this context it would be relevant, among other things, to elaborate on the definition of the start of the works.

#### *Clarification of obligations and simplification*

Several experiences concerning the use and implementation of the existing guidelines and the GBER have now been obtained. In this context the Danish authorities have come across some issues that seen from a Danish point of view could be relevant to get further guidance on or could be relevant to look further into from a simplification perspective. The relevant issues are the following:

- With regards to the general conditions for incentive effect in both the EEAG and the GBER, further guidance on the interpretation of the minimum requirements for application forms for aid would be appreciated. This request follows from e.g. a situation where the authorities lay down the precise eligible costs for an aid scheme. In that situation it can be irrelevant to demand this information from applicants.
- In relation to renewable energy Denmark would also welcome guidance in relation to renewable energy demonstration projects. In the development of, for example, the future wind turbines it can be relevant to carry out demonstration projects on existing wind turbines. However, this can conflict with the definition



of the start of the works, and thus guidance on this subject would be appreciated.

- A number of Danish power plants coproduce heat and electricity. Although there are aid schemes existing for e.g. the use of biomass in these plants the guidelines could be more operational for these types of plants requiring a relatively small primary investment, but recurring secondary investments in order to extend the period of operation.
- With the large number of current schemes regarding energy efficiency it is the experience of the Danish authorities that some requirements of the GBER require extensive resources to complete, implement and supervise. The compilation of counterfactual scenarios is a good example of this, along with the effort to ensure that aid recipients are not overcompensated. A simplification of such requirements would relieve the administrative burdens significantly.

#### *Concluding remarks*

In conclusion, the Danish Government finds it to be of the greatest importance that the EEAG and GBER make room for new technologies and provisions to develop.

Denmark would welcome the opportunity to elaborate on the comments and suggestions above, should the European Commission find it relevant.