

Public consultation on the draft revised EU ETS State aid Guidelines

14th January 2020
#EUGreenDeal

What is the context?

The European Commission is inviting stakeholders to comment on its proposal for revised Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post-2021 (ETS Guidelines).

The EU Emission Trading System (ETS) is an important element of the EU's policy to combat climate change and a key tool for reducing greenhouse gas emissions in a cost-effective way. The ETS creates a carbon price signal for businesses to reduce emissions.

What is the objective of the draft Guidelines?

The implementation of the ETS has generated two types of costs. On the one hand, companies have to buy the amount of allowances that corresponds to their actual emissions level (so-called direct ETS costs). On the other hand, companies also pay more for the electricity that they consume (so-called indirect ETS costs), since electricity producers pass on the carbon price to consumers via higher electricity prices.

Carbon leakage risk appears when companies move outside the EU to countries with less ambitious climate policies, leading to less economic activity in the EU with no reduction in emissions globally.

In line with the European Green Deal communication, the draft EU ETS State aid Guidelines aim at reducing the carbon leakage risk related to indirect ETS costs, and incentivising the modernisation of production processes.



"The European Green Deal is our new growth strategy. It will help us cut emissions while creating jobs."

Ursula von der Leyen, President of the European Commission

"The revision of the EU Emission Trading System State aid Guidelines is an important element of the European Green Deal, aiming at limiting global greenhouse gas emissions. Today, we invite comments on our draft Guidelines which fully reflect the objectives of the Green Deal and focus State support to sectors most at risk of carbon leakage."

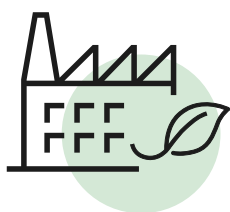
Margrethe Vestager, Executive Vice-President of the European Commission



What do we consult on?

To reduce the risk of carbon leakage, the draft Guidelines proposed for consultation are designed around three key elements:

SECTORS

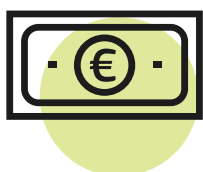


The draft Guidelines focus on the eight sectors most at risk of carbon leakage:

- sectors with significant international trade exposure,
- sectors significantly impacted by energy costs and with limited ability to pass on higher electricity costs,
- sectors with profit margins under pressure at international level,
- sectors with limited potential for improving their energy efficiency.

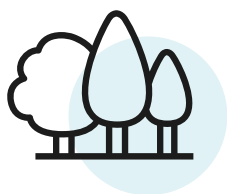
The Commission may decide to include additional sectors, based on qualitative considerations, provided the sectors concerned have at least an indirect carbon leakage indicator of 0.2 and that their carbon leakage risk is evaluated as at least medium.

COMPENSATION LEVEL



The draft Guidelines limit the State support to the minimum level necessary to reduce the carbon leakage risk, meaning a threshold of maximum 75% of incurred indirect costs – compared to the start of the previous trading period where the compensation level was 85%.

CONDITIONALITY



The compensation will be conditional to decarbonisation efforts by companies, such as:

- conducting energy audits,
- implementing energy audit recommendations,
- facilitating an increase in sustainable and private investment,
- reducing the carbon footprint of their electricity consumption.

The EU will be climate neutral in 2050. To reach this target we need to support industry to innovate so that EU companies become global leaders in the green economy.

Citizens and stakeholders are invited to provide views on the Commission's proposal and its possible impact on the risk of carbon leakage, on the effectiveness of the ETS system, and on possible distortions of competition.

The public consultation will be open from 14/01/2020 to 10/03/2020.