TCTF

Temporary Crisis and Transition Framework

Conference on State aid law, Brno
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<u>DISCLAIMER</u>

“The views expressed are purely those of the speaker and may not in any circumstances be regarded as stating an official position of the European Commission."

Context: Green Deal Industrial Plan

1st February 2023 – President Von der Leyen presents a Green Deal Industrial Plan to enhance the competitiveness of Europe's net-zero industry and support the fast transition to climate neutrality.

It is based on four pillars:

1. Simpler regulatory framework
2. Faster access to funding
3. Skills
4. International aspects

Main steps to adopt new TCTF

- Consultation of Member States in December 2022 to establish main needs
- 2nd Member State consultation based on specific text in February 2023
- Emergence of two different groups of Member States:
  - Some Member States asking for more leniency and flexibility with higher aid ceilings and longer durations of temporary measures
  - Many other Member States emphasising the importance of State aid control to protect the level playing field
- Final result is a good compromise providing flexibility and simplicity in response to the crisis while ensuring targeted and proportionate aid as well as cohesion objectives
- TCTF will contribute to achieving the objectives of the Green Industrial Plan and provide meaningful response to 3rd country subsidies (like US IRA)

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TCTF - overview

Temporary Crisis and Transition Framework		Applicable until…
1. Limited amounts of aid		31.12.2023
2. Liquidity support in form or loans and guarantees		31.12.2023
3. Aid for additional costs due to exceptionally severe increases in natural gas and electricity prices		31.12.2023
4. Aid for accelerating the rollout of renewable energy	Prolonged & amended	31.12.**2025**
5. Aid for decarbonisation of industrial production processes	Prolonged & amended	31.12.**2025**
6. Aid for additional reduction of electricity consumption		31.12.2023
7. Strategic investments for transition to net-zero	New	31.12.**2025**

Focus today

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Prolonged until 31.12.2025

Simplification to accelerate RES roll-out

Section 2.5

Scope	**Schemes** covering one or more of the following technologies:	
	• Renewable energy including renewable hydrogen and renewable hydrogen-derived fuels but excluding electricity production from renewable hydrogen	**BROADER**
	• Electricity and thermal storage	
	• Storage of renewable hydrogen, biofuels, bioliquids, biogas and biomass fuels that obtains at least 75% of its content from a directly connected production facility, on an annual basis	**NEW**
Aid allocation and aid amount	**Competitive bidding** • Investment aid: 100% of the total investment costs • Operating aid: strike price of the two-way CfD set based on bids	
	Administratively (for non-mature technologies and small projects) • Investment aid: 45% of the total investment costs (+ bonuses for the size of the undertaking) • Operating aid: strike price of the two-way CfD set by the regulatory authority to cover expected net costs	**NEW**
Implementation deadline	• 36 months after the date of granting for all technologies except offshore wind • Flexibility in the system of penalties in case this deadline is not met	**MORE FLEXIBLE**

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Prolonged until 31.12.2025

More flexibility to facilitate decarbonisation

Section 2.6

Scope	**Schemes** covering investments in: • Energy efficiency (e.g. waste heat + heat pump) • Electrification of industrial processes (e.g. electric furnace) • Switch to hydrogen and **hydrogen-derived fuels** (e.g. DRP) **NEW** If GHG emission reduction of min. 40% and energy consumption reduction of min. 20%
Aid allocation and aid amount	• **Method 1:** 40% of extra environmental costs; bonuses possible; with claw back • **Method 2:** Competitive bidding process • **Method 3: Additional simplified methodology** ➢ 30% of CAPEX for electrification and energy efficiency ➢ 60% of CAPEX for decarbonisation through hydrogen and hydrogen derivatives • Clearer rules on **cumulation with EU funds** **NEW**
Additional flexibility	• Maximum aid amount up to EUR 200 million as an alternative to threshold of 10% of scheme budget • Limited increases in production capacity acceptable if resulting from technical necessity (<2%) • Longer implementation deadline (36 months) and flexibility in the system of penalties **NEW**

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Main facilitation in aid for decarbonisation

Section 2.6

Existing method remains available

Method 1: "partial funding gap approach"

Steps:

1) Identify costs of project (CapEx + OpEx)
2) Identify additional revenues through the project (e.g. green premium)
3) Identify counterfactual scenario and its costs (e.g. ETS, fossil fuel, other differences in operation)
4) Difference between i) project costs and ii) avoided costs of counterfactual and iii) extra revenues
5) Apply aid intensity (up to 40%)
6) Apply boni (small-sized (20%), medium-sized (10%), higher environmental protection (15%))

New method: significant simplification

Method 3: aid intensity on investment costs

Steps:

1) Identify investment costs of project (CapEx)
2) Apply aid intensity (up to 60% for hydrogen use,up to 30% for electrification and energy efficiency)

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Strategic investments for clean technologies

New Section 2.8

First level: schemes – main elements

✓ **Fact-based:** Only key sectors affected by IRA that are critical for the transition to net-zero and at risk of being diverted, namely:
- batteries,
- solar panels,
- wind turbines,
- heat-pumps,
- electrolysers,
- carbon capture usage and storage equipment

+ key components

+ related critical raw materials

✓ **Simple:** Basic option of flexible schemes with intensities and caps

✓ **Fair:** Modulation for assisted areas + Bonuses for tax credits, loans and guarantees and SMEs

Strategic investments for clean technologies

New Section 2.8

First level: schemes – aid limits

			Location of the investment		
			Non-assisted areas	*c-Regions*	*a-Regions*
		Max. aid amount per undertaking per MS	EUR 150 Million	EUR 200 Million	EUR 350 Million
Max. aid intensities	*For direct grants*	Large enterprises	15%	20%	35%
		Medium sized enterprises	25%	30%	45%
		Small enterprises[2]	35%	40%	55%
	For tax advantages, loans or guarantees	Large enterprises	20%	25%	40%
		Medium sized enterprises[2]	30%	35%	50%
		Small enterprises[2]	40%	45%	60%

Strategic investments for clean technologies

New Section 2.8

Second level: ad hoc aid

AD-HOC AID POSSIBILITIES	LOCATION OF INVESTMENT	SAFEGUARDS		
Single-EEA country project	1 Member State Disadvantaged areas only	Non-disadvantaged areas **cannot receive matching aid** if only one Member State is involved	State-of-the-art production technology from an environmental emissions perspective	Prohibition to relocate investments within the single market
Multi-EEA country projects	At least 3 Member States a significant part of the capital investment takes place in at least two disadvantaged areas an important part of such significant investment should take place in an 'a' area	Aid possible also in non-disadvantaged areas, subject to **real ecosystem effects across the EU**		

Applicable aid limit is the lower of:

- Matching aid (i.e. amount available in 3rd country, should follow similar pay-out modalities)
- Funding gap calculated as delta between NPV in EEA project and counterfactual scenario (i.e. investment in 3rd country)

Thanks for your attention!

Pictures, sources: company websites