Bellona Europa's snap reaction to the draft EC Communication:
"Framework for State Aid measures to support the Clean Industrial Deal"
(Clean Industry State Aid Framework – CISAF)

Ahead of the publication of the Clean Industrial Deal, the accompanying CISAF sets out how Member States can design State aid measures to support its objectives. Bellona Europa strongly supports the dedicated State aid measures supporting the implementation of the Clean Industrial Deal, and while it is uncertain to what extent the current draft version will be amended before publication, Bellona Europa outlines its recommendations below. Specifically, Bellona Europa's comments focus on how to safeguard the proposed aid's positive impact on climate change mitigation. This includes, but is not limited to, reviewing the necessity of thresholds proposed, the clear separation of Carbon Capture and Storage (CCS) and Carbon Capture and Utilisation (CCU) activity and in determining their climate impact, the explicit inclusion of the additionality principle for renewable hydrogen, and added clarity throughout the document to strengthen its long-term durability. Bellona Europa commends the work of the European Commission thus far and looks forward to seeing the final version when revised and published.

- **Point 31 :** Important exclusion to safeguard against the inefficient use of scarce renewables.

- **Point 32:** For consistency and clarity, Bellona suggests moving this exclusion for electricity storage and thermal storage to the point 31, as an additional subsection (c).

- **Point 33:** It should be made explicit that only the production of RFNBOs from renewable sources under the additionality principle will be considered compatible aid.

- **Point 37:** The requirement for Member States to ensure compliance with the 'do no significant harm' principle should be extended to any aid under these Guidelines, and further the DNSH principle must be clarified and enforced as to not allow investments in fossil infrastructure leading to lock-in

  Point 65(c): Maintaining the complete exclusion of the most polluting fossil fuels is crucial for the credibility of the Clean Industrial Deal.

- **Point 66:** It is crucial to ensure that the language here remains clear, separating eligibility for aid when reducing emissions on the one hand, and reducing energy consumption of the beneficiary's activity of at least 20% on the other.

- **Point 67:** Bellona finds the part "*carbon capture equipment is installed either at existing plants, or at new plants that solely emit solely biogenic* CO_2" to not satisfactorily and sufficiently address the complexity of the **issue**. We recommend referring to Bellona and E3G's CCS ladder when determining which capture applications should qualify for state aid. We recommend referring to Bellona and E3G's CCS ladder when determining which

capture applications should qualify for state aid. The current language is an overly simplistic blanket statement which should rather consider further nuances such as the scalability and availability of alternative solutions, and the volume of CO_2 abated (as in the ladder) and the minimum capture rates required for State Aid.

- **Point 69:** Bellona interprets this section as making CO_2 transport and storage infrastructure eligible and ensuring third party access, but the section could benefit from further clarification to reduce any rooms for misunderstanding. **Point 69:** Bellona interprets this section as making CO_2 transport and storage infrastructure eligible and ensuring third party access, but the section could benefit from further clarification to reduce any room for misunderstanding.

- **Point 74(2):** It should be made explicit that Member States must include as a condition that the production of RFNBOs be from renewable sources under the additionality principle.

- **Point 74(2)(b):** Bellona recommends setting a higher floor for the minimum share of renewable hydrogen. To avoid rewarding Member States falling behind on their renewable energy target, this floor should reflect the renewable electricity share required for the Member State to deliver its greenhouse gas emissions target, rather than the renewable electricity share of the last two years. In addition, for clarity and to avoid locking in carbon emissions, it should be made explicit that the share of renewable hydrogen used by the project shall be revised annually and only in an upwards trajectory.

- **Point 74(3):**

    - **a:** CCS and CCU should not be treated as equivalent (in this point and throughout the text). CO_2 capture facilities for the purpose of CCU must contribute to emissions reductions (rather than just shifting emissions to another sector) in order to be eligible for state aid.

    - **b:** The term "avoidance" is used incorrectly here; it should be replaced with "reduction" to ensure consistency with the literature. (same problem in Article 85)

- **Point 75:** It is important to be clear on the boundaries of the activities in question in general throughout the document. When speaking of industrial facilities, not only the percentage reduction of the installation's total emissions should be taken into account, but also the feasibility of which it is possible to reduce the type of emissions in questions. In particular when it comes to process emissions, which often have no other feasible pathway for decarbonisation regardless of its share of the installation's total emissions.

- **Point 80(b):** Bellona Europa urges for caution when determining limits for aid on this point, ensuring that they are not overly limiting aking into account large CAPEX in a burgeoning market where emitters are facing substantial market failures and barriers. As an alternative to strict limits, we see the previous articles ensuring aid's incentivising role safeguarding the aid intensity's effectiveness. This could be the case specially where the facility, or type of emissions such as process emissions, could not be decarbonized without CCS. Here, equipment for capturing CO_2 regardless of intention to utilise or store is treated equally, which does not ensure positive impact on climate change mitigation.

Bellona Europa is an international, independent and non-profit organisation that meets environmental and climate challenges head on. We are solutions-oriented and have a comprehensive and cross-sectoral approach to assess the economics, climate impacts and technical feasibility of necessary climate actions. To do this, we work with civil society, academia, governments, institutions, and industries.

- **Point 86:** The requirement that projects must deliver overall greenhouse gas emissions reductions, rather than simply displacing emissions is key and should be safeguarded. (same for Point 71 for the same reason)
- **Point 88(b):** This alternative condition should be limited to the increase in renewable electricity.
- **Point 89:** Crucial to safeguard and prevent lock-in effect or misguided shift of capital into higher emitting economic activity.
- **Point 90:** This point seemingly enables investments and state aid under this scheme in natural gas activities as long as they can be transferred to hydrogen in the future, as highlighted several times by Bellona Europa, it is questionable whether "Hydrogen Readiness" in fact results in emission reduction in the long term, and most certainly does not do so in the short-term. This risks furthering investments in fossil gas activity, leading to a lock-in, despite the clear intention of the wording in the guidelines being the opposite.
- **Point 91:** The definition of "residual emissions" needs to be clarified, and "economic feasibility" should be included alongside "technical feasibility" as a criterion. Utilisation should again not be treated equal to storage when it comes to positive impact on climate change mitigation.
- **Point 92:** European industry is in crisis, as outlined by the Draghi report. If the aim is to enable "sustainable" or low-carbon production, this should not automatically exclude increasing production, unless it would distort competition.

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