

WindEurope's answer to the public consultation on the

Framework for State Aid measures to support the Clean Industrial Deal (CISAF)

WindEurope welcomes the new framework for State Aid measures to support the Clean Industrial Deal (CISAF), in the continuity of the Temporary Crisis and Transition Framework (TCTF) of 2023. The TCTF has proven to be very effective, notably for the approval of revenue stabilisation mechanisms for the development of wind.

The CISAF sets the right direction, with dedicated sections covering renewable deployment, industrial decarbonisation, non-fossil flexibility and support to clean tech manufacturing. But it does not always strike the right level of ambition. Some provisions are too restrictive to effectively incentivise practices that would be beneficial for meeting our EU energy and climate targets.

In this paper, we assess the different provisions and propose suggestions for improvement, with a particular focus on:

- Adequately support the roll out of repowering projects: the current framework is too strict and not reflecting the economic reality of repowering projects. Repowering will be essential for Europe to meet its 2030 renewable target (*see point 40 in Chapter 4.1.1*).
- Ensure that electrification of industrial processes does not suffer from excessive requirements compared to other decarbonisation technologies. As it stands, CISAF imposes unnecessarily stringent criteria that will likely fail to support the electrification of industrial processes. For instance, the definition of renewable energy is the one from the delegated act on RFNBOs with temporal and geographical correlation and not just the definition of the RED. Very few industrial decarbonisation projects sourcing wind will meet this definition today (see point 9e and 90c in Chapter 5).
- Ensure all electrification projects are treated equally, whether the renewable electricity is produced onsite or procured from the grid via PPAs. Many industrial sites lack the space for onsite wind turbines, so projects supplying them though the grid should be equally eligible for support. This is not the case in the current proposal. (*see point 75 in Chapter 5*).
- Include time-limited OPEX support in the aid to decarbonisation of projects, notably in the form of Carbon Contracts for Difference (CCfDs). At the moment they are out of the scope despite being an effective and proven type of support (*point 76 in Chapter 5*).
- Address key manufacturing shortage such as grid technologies or investments in ports in the section on aid to clean tech manufacturing. This is where the supply chain bottlenecks are, and they are currently out of scope (see point 122 in Chapter 6).

We address our comments in the order of the text.



Chapter 3.3 – Cumulation with other State aid & combination with centrally managed EU funds

(29) We very much support the new possibility to co-fund projects with state aid and EU public funds. This is particularly relevant for the aid to deploy industrial decarbonisation and aid to support clean tech manufacturing. This will enable optimal use of EU and regional funds for strategic large projects.

However, allowing cumulation only if it does not "exceed the highest support intensity or amount applicable under any of the relevant conditions" (paragraph 29 b) is *de facto* making the cumulation very limited or even unapplicable. We recommend that the regional funding limitations should be excluded.

Chapter 4.1 – Aid schemes to accelerate the rollout of renewable energy

- (32a) We welcome that public aid is specifically directed towards the production of RFNBOs; this should be maintained as it aligns with the RFNBO targets set in the revised Renewable Energy Directive.
- (37) We consider that 36 months for completing the project after the award of the aid is acceptable for onshore wind and will contribute to a timely delivery of projects. But this is only if no new supply chain delays and component shortages arise given the geopolitical situation and if there are no delays in grid connection. Those situations should be considered as force majeure and be exempted from the 36-month lead time. To address grid connection delays, projects must be completed by the later of two deadlines: either 36 months following the award or 3 months after grid connection (this is already the case in France). For offshore wind projects that are much bigger and complex, we welcome the fact that there is no standardised timeline. Conditions must be determined per projects depending on their specificities.

Text recommendation:

(37) With the exception of offshore wind, hydropower, including hydro storage, and renewable hydrogen production installations, supported projects must be completed and be in operation **by the latest of those two deadlines 1)** within [36] months after the date of granting **or 2) 3 months after the grid connection**. The scheme should include an effective system of penalties in case this deadline is not met.

(38) We welcome that **technology-specific support** can be granted without any additional justification.

Two-stage auctions should be allowed under CISAF. Two-stage auctions are key for some technologies such as floating offshore wind. They help to de-risk projects by developing the site, the technology and the supply chain via guaranteeing exclusive rights to an area where project develop can take place and then compete for the aid needed to cover the gap necessary to bring the project to operation. Two-stage auctions are allowed under CEEAG (paragraph 112) and should also benefit from the fast-tracked approval of CISAF. But the wording of paragraph 38 *"the scheme must not include any artificial limitation or discrimination, including in the award of licences, permits, or concessions when they are required"* could be interpreted as ruling out the possibility of schemes that pre-qualify bidders to compete for aid in a first stage competition (e.g. for seabed in the case of offshore wind) and then in a second stage to compete for aid.



Text recommendation

(38) the scheme must not include any artificial limitation or discrimination, including in the award of licences, permits, or concessions when they are required.

The CISAF should mandate that aid schemes to accelerate the roll out of renewables must come with **a schedule of auctions**, volumes and budgets. The draft CISAF establishes that aid to renewables will be granted on the basis of a scheme with *an estimated capacity volume and budget* (paragraph 38). This is welcome in order to provide certainty on the viability of the aid measure. However, this does not guarantee the visibility needed to accelerate the roll out of all renewables, which is a key objective of the CISAF. We appreciate the Commission proposals on simple and streamlined notification processes. But the 'proportionality' assessment of aid schemes could be distorted if Member States prioritise the speed of one-off or short-term schemes over longer term measures that will ensure the minimisation of aid. This is in particular the case for offshore wind.

Chapter 4.1.1 – Investment aid to accelerate the rollout of renewable energy

- (40) For **repowering projects**, the wording limiting investment aid to "only additional costs" is too restrictive.
 - Repowering projects have lots of potential to reach our 2030 target. We estimate that 27 GW of installed wind capacity by 2030 will come from repowering projects. But another 70 GW will be 18 years or more in 2030, which is the average age of repowered windfarms. On average repowering projects double the capacity installed and triple the electricity output. Therefore, there is a huge untapped potential that currently is not adequately supported at EU level.
 - Some Member States only consider partial repowering (slight change to the turbine to increase its efficiency) instead of full repowering as rightly defined in footnote 27. This is the case in Denmark. Other Member States impose limits (tip-height limits in France or financial penalties in Italy) that de facto impede any repowering project to win in auctions.
 - The benefit of repowering projects is a broad acceptability and very good knowledge of the site conditions and biodiversity. Older windfarms are most of the time located in location with the best wind conditions. But as dismantling costs or increased grid connection costs, also need to be factored in, they are not necessarily cheaper than greenfield projects.
 - In order to incentivise Member States to support the full repowering of their old windfarms, we recommend the following amendment

Text recommendation

(40) [...} In case of repowered capacities, **only the additional all relevant** costs in relation to the repowered capacity are eligible for aid



(Footnote 27) Storage should also be included in the scope of repowering in footnote 27.

Text recommendation

(Footnote 27) Repowering' means renewing **both** power plants that produce renewable energy **and electricity storages**, including the full or partial replacement of installations or operation systems and equipment for the purposes of replacing capacity or increasing the efficiency or capacity of the installation

(43) The current 18 MW threshold for exemption from tendering obligations for Community Energy Projects does not reflect the scale of modern community wind farms and is often impractical for developers. As turbine technology evolves, installed capacity is becoming a less suitable benchmark. We propose setting a limit based on the number of turbines.

Text recommendation

"(43) d. for wind generation only, projects with *an installed capacity equal or below 18 MW a maximum of 6 generation units*, if they are 100% owned by small and microenterprises and/or by renewable energy communities and/or by citizen energy communities."

Chapter 4.1.2 Direct price support scheme

(45) We recommend allowing the financing of electricity storage in this section. As it stands, storage is only mentioned in chapter 4.2 non-fossil flexibility scheme. This is not incentivising all forms of electricity storage solutions, such as co-location of wind/PV/storage.

Text recommendation

(45) "Direct price support schemes for the production of renewable energy, **including electricity storage**, will comply with the criteria in section 3 and this subsection."

(46) We support that contract-for-difference (CfDs) are becoming the norm of revenue stabilisation mechanism for renewables. as announced in the last Electricity Market Design reform. We also support the extension of the support up to 25 years, from 20 years in the TCTF.

To ensure a minimum of harmonisation across Member States, **a footnote could be added** to paragraph 46, making reference to the European Commission <u>recommendation on auction design</u> for renewable energy (SWD (2024) 300) and the <u>staff working document</u> (C(2024) 2650), both of which contain best practice and lessons learned for over 10 years of auction design for renewables across the EU. This would help Member States to make the right decisions when designing aid schemes for renewables, including on inflation indexation. CfDs must be designed to allow the full integration of PPAs, on a market basis, without imposing restrictions on price, revenue, or volume, as stated in the Electricity Market Design art 19a.

(Footnote 33) This footnote allows Member States to require installations to continue making paybacks beyond the validity of the support scheme along the lifetime of the project represents an extraordinary regulatory risk and severely undermines project bankability. This is exactly the opposite of what needs to happen if the EU wants to see investment in clean home-grown electricity generation in line with the Clean Industrial Deal. It could also create confusion in the application of Article 19a paragraph 5 of the Electricity Regulation establishing the possibility of combining PPAs with support schemes. We recommend deleting this footnote.



- (Footnote 8) We also welcome the need for Member States to design auctions that can deliver volumes and introduce safeguard measures in the case of risk of undersubscribed auctions (footnote 8).
- (21) We ask further clarification on how the European Commission will assess that auctions are 'proportionate' when they are designed to allow for zero or negative bids. These auctions raise serious questions about how auctions allocate aid that is 'proportionate' because prices may not be settled in terms of the minimum aid needed, but around other considerations such as opportunity costs, market access, competition for grid connection, or strategic portfolio building of nearby projects.

Chapter 4.2 – Aid to non-fossil flexibility support scheme

(52) We welcome the inclusion of non-fossil flexibility and at least storage and demand response in capacity mechanisms. And the fact that capacity mechanisms must incentivise their deployment. Repowering existing non-fossil storage capacities should also be eligible to support under this chapter, as it is also a pathway to increase non-fossil resources in the system (e.g. by avoiding decommissioning of existing assets at the end of their lifespan)

Text recommendation

(52) The measure should be designed to support new investment in non-fossil flexibilities **and additional costs due to repowering,** while preventing undue distortions to the efficient functioning of electricity markets

- (61) Aid limited to 10 years seems overly restrictive. Capacity mechanisms are allowed for 15 years, and storage technologies could last for 40 or 50 years. Recover costs over 10 years is likely to be challenging and would make storage technologies less cost-competitive despite their potential value to the system. We ask extending the scheme to at least 15 years.
- (66) This set overly strict conditions for the financing of flexibility capacities through adjustment of consumption. The way in which the cost of supporting flexibility is allocated to consumers impacts the total cost of the electricity supply and, therefore, threatens the competitiveness of electrification versus other decarbonisation technologies. The allocation follows the causality principle (which is right in theory), but its application in the case of flexibility costs is very uncertain (e.g., potential impact on variable renewables; on flexible loads that are quite consuming when prices °go up, thus potentially exacerbating the need to ramp up fossil resources; etc.). Considering this, we recommend being pragmatic, and deleting this paragraph and giving Member States more room to adapt to specific projects.

Chapter 4.2 – Aid for capacity mechanisms

We welcome the fact that that EU's state-aid framework keeps capacity mechanisms in check. This is particularly true for CISAF that would fast track the approval of such projects. We see the draft capacity mechanism rules as beneficial to avoid unintended consequences of capacity mechanisms.

According to ACER, the cost of capacity mechanisms to consumers has become significant. Total capacity payments in the EU have grown rapidly – doubling from 2020 to reach \in 5.2 billion in 2022 and rising to roughly \notin 7.3 billion in 2023. ACER also finds that many capacity schemes "largely support fossil-fuel power plants, potentially undermining the shift to a low-carbon economy". An estimated two-thirds of all capacity remuneration (~ \in 60 billion of the \in 90 billion paid out) has flowed to thermal generators such as gas and coal plants.

The new capacity mechanisms should be fully consistent with the delivery of a zero-emissions **European power system**. They should apply the following principles:

- In order to get fast approval from the CISAF, capacity mechanisms should be fully consistent with the delivery of net zero which means being within the CO2 emission limits set by European Investment Bank in its revised energy lending policy in 2019 (250g CO2/KWh of electricity). Other capacity mechanisms following the emissions performance standard (maximum 550g CO2/KWh of electricity) of the Electricity Market Design Regulation CO2 emission limits should be approved under CEEEAG.
- A gradual decrease of this emissions performance standard with clearly defined milestones to 2035 (considering 15-year CRM contracts, or 2040 considering 10-year standards) to phase out fossil-fuel based generation.
- Facilitate the qualification of short- and long-term storage, demand-response, combined renewable power plants with or without storage, renewable-based aggregated portfolios and cross-border capacity according to their ability to contribute to security of supply.
- The length of awarded contracts should also be set in function of the emission performance standard of the respective technologies

Text recommendations

(57) If a capacity mechanism is implemented in the Member State concerned, the design of this capacity mechanism should be open to enable the participation of non-fossil flexibility technologies such as demand response and storage to this capacity mechanism and promote their development in this capacity mechanism fully in line with the EU net-zero target by 2050.

(Annex I – point 6 of the table) Beneficiaries must meet the Electricity Regulation CO2 emission limits 250g CO2/KWh of electricity (limits set by European Investment Bank in its revised energy lending policy in 2019). The Member State can apply more stringent CO2 limits, calculated in line with ACER methodology.

CISAF must limit the room for deviation from the rules it sets out on capacity mechanisms. We thus welcome requirement 1, stating that "the ERAA central reference scenarios approved by ACER must be the sole basis for identifying the need for a capacity mechanism" and that "all parameters calculated to assess availability, such as any de-rating factors, must be in line with the ERAA assumptions and results." Further, we welcome the use of de-rated capacity in the CAPEX/MW formula used, for example in point 16.



Chapter 5 – Aid to deploy industrial decarbonisation

(73) We fully endorse the prioritisation of direct electrification as a primary pathway for the decarbonisation of industrial heat processes. But while natural gas is currently eligible only in "duly justified cases", we recommend removing this general eligibility and clarifying that aid should be strictly limited to hybrid projects that combine natural gas with clean electricity as a transitional step toward full electrification

Text recommendation:

(73) Investments aiming at the decarbonisation of industrial heat will prioritise (non-biomassbased) renewable heat, flexible direct electrification and the reuse of waste-heat, in particular below 400°C. Nevertheless, in duly justified cases, the use of other technologies can also be accepted but natural gas must deliver energy savings of at least [30]% or greenhouse gas emission savings of at least [60]%. be strictly limited to hybrid projects that combine natural gas with clean electricity as a transitional step toward full electrification.

(76) CISAF should allow targeted and time-limited OPEX support. We see Carbon Contracts for Difference (CCfDs) as one of the most efficient tools to accelerate electrification of industrial processes. Already permitted under the Guidelines on State aid for Climate, Environmental Protection and Energy (CEEAG), CCfDs and other forms of OPEX support should also be allowed under CISAF through streamlined and accelerated procedures. Such financial support should be temporary and conditional— carefully designed to bridge the cost gap for early movers without distorting the market. It must be targeted to efficient, clearly defined direct electrification applications, and aligned with CEEAG safeguards, including real net greenhouse gas emission reductions and clawback mechanisms. Without such hedging tools, early movers may face significant cost disadvantages if electricity remains more expensive than fossil fuels, potentially deterring early investment in electrification. We ask to delete footnote 47 and explicitly recognise CCfDs under CISAF under paragraph 76:

Text recommendation

(76) "Aid under this section can only be granted in the form of direct grants, **such as variable premiums based on investment and operating costs, direct price support via two-way contracts for difference, carbon two-way contracts for difference,** repayable advances, loans, guarantees or tax advantages". Specific allocations should be made per user segment (e.g., cement, steel, chemicals), as sectoral needs and decarbonisation pathways vary significantly.

Remove overly stringent requirements for renewable electrification projects. Overall, this chapter 5 imposes unnecessarily stringent criteria on industrial decarbonisation and will likely fail to effectively incentivise investments—particularly in the electrification of industrial processes

(9e and 90c): Renewable electricity should be defined as per the Renewable Energy Directive (RED III) and not as per the DA on RFNBOs. These rules are very specific to the context of hydrogen and are not relevant for renewables-based direct electrification. In fact, such an approach would be completely counterproductive and undermine the drive for direct electrification which is at the core of the Clean Industrial Deal. We ask to use the definition of the RED III:

Text recommendation

(9a) "'energy from renewable sources' or 'renewable energy' means energy from renewable nonfossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy,



osmotic energy, ambient energy, tide, <u>wave</u> and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas".

(79a) The requirement to be fully operational within 36 months could be excessively restrictive for large scale decarbonisation projects. The proposed implementation is unrealistic, considering the extensive planning, permitting, and preparatory work required. Electrification projects can face, grid connection challenges, which are largely beyond the control of project developer. They are frequently subject to multi-year delays due to permitting procedures and extensive connection waiting lists. For the sake of consistency and regulatory coherence, electrification projects should be granted an exemption from this constraint, in alignment with the treatment of renewable energy projects as referenced in point (37).

Text recommendation

(79) "To ensure that projects are implemented in a timely fashion and deliver the expected greenhouse gas emission savings, Member States must ensure that: (a) **With the exception of the projects listed in point (37)**, the installation or equipment to be financed by the aid is in operation within [36] months after the date of granting **not taking into account delays for grid connection**."

- (73) Increase the current 400°C threshold to 500°C to support the electrification of industrial processes using proven technologies like electric boilers and thermal energy storage.
- (72) Include indirect greenhouse gas emissions reductions as an eligible criterion for aid, specifically through mechanisms such as corporate renewable Power Purchase Agreements (PPAs) backed by Guarantees of Origin (GOs).

Text recommendation

(72) Investments reducing greenhouse gas emissions or improving the energy efficiency of industrial activities can be eligible, irrespective of the technological solution used, provided they deliver (i) a reduction in direct greenhouse gas emissions resulting from the activity concerned compared to the situation without the aid, or a reduction of indirect greenhouse gas emissions if justified by a corporate renewable Power Purchase Agreement backed by Guarantees of Origins (ii) a reduction of at least [20]% in the energy consumption of the beneficiary's activity per unit of output compared to the situation without the aid43

(75) Aid for energy generation dedicated to industrial use shall treat all sourcing models equally whether the generation is onsite or supplied through the grid with renewable Power Purchase Agreements (PPAs). Many industrial sites lack the space for onsite wind turbines, so projects supplying them though the grid should be equally eligible for support.

Text recommendation

(75) "(c) either (i) the energy produced is used for at least [80]% in the beneficiary's own industrial activities at the project's site, or (ii) in case of investments in high efficiency cogeneration, the heat produced is fully used by the beneficiary, or (iii) in the case of investments in off-site renewable sources, the energy produced is partially attributed to the beneficiary's industrial activities, with appropriate mechanisms in place to ensure traceability and verifiability of the renewable energy use."



- (82 and 107): We support the alignment of CISAF with Article 22a of Directive (EU) 2018/2001 through a clear prioritisation of renewable hydrogen. Moreover, we recommend raising the current minimum threshold for renewable hydrogen. The prioritisation of RFNBOs is essential to help Member States reach their national renewable hydrogen targets under REDIII, ensure the effective use of public funding, and enable the large-scale deployment of renewable hydrogen projects (paragraphs 82 and 107)
- (86 and 98) Support for hybridisation projects in industry as a transitional step towards full electrification. Investments in the decarbonisation of industrial heat under point (73) often involve gradual modifications to specific processes, rather than complete overhauls of entire installations. Accordingly, the necessity requirement should be limited to point (86)(a), requiring only a funding gap calculation.

Text recommendation

(98) (new): "(d) Projects based on direct electrification, particularly where electricity consumption is concentrated during periods of high renewable electricity generation."

Moreover, the definition of the 'funding gap' should take into account both capital (CAPEX) and operational (OPEX) costs to accurately reflect the full cost structure of industrial electrification projects.

(90) Increase the maximum aid intensity for electrification projects to 50%, aligning it with the level allowed for hydrogen projects. This would accelerate the adoption of cost-effective, energy-efficient technologies essential for industrial decarbonisation and send the right signals *towards* direct electrification wherever this is possible.

Text recommendation

(90c) **[35-50]%** for investments in the production of renewable energy, energy storage, or investments in electrification that use only fully renewable electricity **with negligible indirect** *emissions according with point (98)*"

Chapter 6 – Aid to support clean tech manufacturing

(122) We welcome the extended scope compared to the TCTF to production and distribution of decarbonised heat, electrolysers (paragraph 122 a). We would like to also include grids (and notably high voltage power cable systems, subsea installation and repair capability) and ports in the scope of the CISAF as these are the most critical sectors with significant need for investment, that could delay the expansion of wind deployment.

We welcome the introduction of **secondary raw materials** in the scope as this will incentivise the use of recycled materials (paragraph 122 a and b)

(126) We regret that the upper limit for supported projects have been halved compared to the TCTF. Without a real Capital Market Union or possibility to increase public debt, this is major flowback from investment in green technologies. We recommend sticking to the amount allowed under the TCTF.



We believe that **aid should not be granted to non-EU manufacturers that are acting on a unlevel playing field**. If state aid is given to support clean tech manufacturing in the Union, it should be scrutinized if imports of semi-finished goods that are constructed from materials already subject to import duties are being used.

While a continuation of the TCTF for cleantech manufacturing is helpful, it should the noted that it suffers several drawbacks that make it not the optimal instrument for boosting competitiveness of the EU wind industry.

- **Timing.** Access to funds is highly dependent on the timing of individual member states when it comes to allocating funds and opening schemes. Since start of works cannot take place before grant application, this takes away planning flexibility.
- **Predictability.** During the review period, which can take months, it is unclear whether the applicant will (i) receive the funding and (2) if it is so the full extent applied for. On top of the timing issue, this further complicates planning of investments.
- **Transparency.** Aid level is dependent on negotiations with Member States or, for section 6.2, a funding gap analysis that is highly dependent on assumptions reducing the transparency on how aid levels are determined. This should be clear from the start.
- **Competitiveness.** It doesn't support the objective of long-term competitiveness of the EU wind industry beyond the initial investment.

To ensure that Europe is the optimal choice for wind industry related manufacturing, an outputbased support scheme should be developed by the European Commission – i.e. a pre-defined support amount per nacelle, blade, tower, etc. produced in the EU. A similar system has been introduced in the US and results in improved competitiveness of the American cleantech manufacturing industry and hundreds of millions in manufacturing investments.