European Lime Association A.I.S.B.L.

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EULA RESPONSE TO THE CONSULTATION ON THE DRAFT ENVIRONMENTAL AND ENERGY STATE AID GUIDELINES: THE VIEWS OF THE LIME INDUSTRY

EuLA welcomes the possibility to answer to the public consultation on the Draft Guidelines on Environmental and Energy Aid for 2014-2020, as published for consultation on 18 December 2013.

Energy prices and costs are crucial for the competitiveness of the European industries, in particular for the energy intensive industries, and even more for SMEs.

On 22 January 2014, the European Commission has issued in the framework of the 2030 climate and package a report that clearly shows that energy prices in the EU are two to four times higher than in competing third countries. Furthermore, the combination of national and European legislation has contributed significantly to the increasing trend of prices through different instruments (RES charges, network fees, carbon price, etc.).

Therefore, **the revision of the Guidelines on Environmental and Energy State aid for 2014-2020 (EEAG) should remediate this situation and not further affect the competitiveness of energy intensive industries by increasing the financial burden of energy bills.** In order to achieve this objective, the following principles need to be respected:

1. The EEAG shall be consistent with the Energy Taxation Directive (ETD)

In the ETD, energy-intensive industry can be exempted from such costs on the mere basis of business-use, without any additional conditions. The provisions in the proposed EEAG are therefore not consistent with the ETD. The range of exemption possibilities provided by the ETD should be incorporated directly into the EEAG to ensure consistency and compatibility of State aid rules with EU secondary legislation.

2. Eligibility criteria for tax exemptions and reductions in line with the ETD criteria

The draft text of guidelines proposes eligibility criteria that are inspired from the ETS related legislation, i.e. 10% trade intensity and 5% tax costs/gross value added (GVA). However, it is not appropriate to use such criteria because the ETS is an EU-wide system while RES schemes are developed at national level and may be very different across the EU.

Eligibility criteria shall consider the impact of taxes and charges on the competitiveness of the sector on the basis of its ability to pass through the additional costs. In this regard, an appropriate indicator is the total energy intensity of the sector, as defined in the current (2008) Guidelines and the ETD (i.e. total energy costs >3% of production value or tax costs >0.5% of GVA). It shall be noted that the threshold of the tax costs/GVA proposed in the draft text is ten times higher than the one in the ETD (5% vs. 0.5%) and would exclude many energy-intensive sectors that are currently benefiting from tax reductions.

The trade intensity could be added as an alternative criterion and shall consider also the intra-EU trade.

What is important for the industry is the cumulative burden of legislation, and consequently, reductions and exemptions should apply to any measure having an impact on energy prices, including capacity mechanisms, nuclear programmes, infrastructure support schemes, etc.

3. Aid intensity up to 100% to preserve industry's competitiveness and cumulative impact of legislation should be taken into account

Paragraphs 179(a) and 186(b) would cap any aid at 80%-85 % in order to fulfil the 'proportionality' principle. However, in this case contrary to the usual notion, the aid is not intended to motivate a behaviour by the beneficiary or to promote a particular environmental outcome. Instead, this type of aid aims to protect energy-intensive businesses from competitiveness risks due to the EU's decarbonisation polices. Thus capping the aid achieves no environmental objective. Furthermore, in Member States where there are multiple electricity decarbonisation measures in place, the cumulative impact of residual costs can itself seriously damage EII competitiveness. Therefore in this instance aid intensities of up to 100% should be permitted in order to preserve industry's competitiveness while respecting Member States subsidiarity.

Brussels, 13 February 2014