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CPMR RESPONSE TO THE EUROPEAN COMMISSION'S CONSULTATION ON THE DRAFT GUIDELINES ON ENVIRONMENTAL AND ENERGY AID 2014-2020

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I - Definition of "Assisted Regions"

- In Point (33) of the Draft Guidelines, the Commission recognises that the "*specific handicaps of assisted regions will be taken into account.*" However, it seems that "assisted regions" are defined hereby only as those regions already classified as assisted areas under Article 107.3.a) and 107.3.c) in the Regional Aid map.
- This definition fails to take into consideration the provision of Articles 174 and 170 of the Treaty, as well as other EU legislation, which recognises the particular condition of regions beset by permanent and severe geographic and demographic handicaps.
- Article 174 of the Treaty, which states explicitly that: "*... particular attention shall be paid to (...) regions which suffer from severe and permanent natural or demographic handicaps*".
- Article 170 of the Treaty on Trans-European Networks – including TEN-Energy – also underlines the need to "**take account in particular of the need to link island, landlocked and peripheral regions with the central regions of the Union.**"
- It will be added that Article 7 of the REN Promotion Directive 2009/28/EC also specifies that: "*Member States shall ensure that the charging of transmission and distribution tariffs does not discriminate against electricity from renewable energy sources, including in particular electricity from renewable energy sources produced in peripheral regions, such as island regions, and in regions of low population density. Member States shall ensure that the charging of transmission and distribution tariffs does not discriminate against gas from renewable energy sources.*"
- The notion of "assisted region" under the scope of these Guidelines cannot therefore be limited only to those areas already covered under the provisions of 107.3.a) or 107.3.c), but must also be applicable to territories beset by permanent and severe geographic or demographic handicaps which are not covered by the above (even though this is the case of many of them).
- Moreover, the intensity of aid proposed in Point (82) and in Appendix I of the draft Guidelines for territories under 107.3.a) or 107.3.c) may not be sufficient to adequately cover market failures in areas beset by remoteness or isolation, by high over-costs of infrastructure, or by market-size limitations. Also, in such areas, it may not always be possible to ensure the participation of a sufficient number of undertakings in any bidding process, and allow the maximum aid ceiling of 100% of costs.
- Provisions must therefore be included in the Draft Guidelines:
 - To ensure that areas beset by permanent and severe geographic or demographic handicaps can be covered;
 - To allow, on a case by case basis, for higher ceilings or specific rules of aid when the need arises.

We therefore urge the European Commission to consider the following amendments:

Current text	Proposal
<p>1. Scope and definitions</p> <p>1.1 Scope of application</p>	<p>1. Scope and definitions</p> <p>1.1 Scope of application (<i>Addendum</i>)</p> <p>(rr) <i>Assisted Regions</i> are defined as</p> <ul style="list-style-type: none"> - Any NUTSII region listed as under Article 107.3.a) in the Regional Aid map - Any area listed as under Article 107.3c) in the Regional Aid map - When justified, and on a case-by-case basis, any other area beset by permanent and severe geographic and demographic handicaps (such a islands, mountains, sparsely-populated areas) under the provision of Article 174 of the Treaty or, in the case of Energy infrastructure, under the provision of Article 170 of the Treaty.

Current text	Proposal
<p><i>Eligible costs</i></p>	<p><i>Eligible costs (Addendum)</i></p> <p>(82.d) Higher aid intensities, not exceeding 100% of the eligible cost, may also be justified under certain conditions in the case of territories beset by permanent and severe geographic handicaps (such as islands, mountains, sparsely-populated areas) where isolation, high over-costs, or market-size limitations result in market failure and that it is not possible to ensure the participation of a sufficient number of undertakings in any bidding process.</p>

II - Small isolated systems and Outermost Regions

- The difficulties met by territories beset by permanent and severe geographic or demographic handicaps are exacerbated when such territories cannot be connected to the European electricity grid and operate in a context of total or near total isolation.

This is the case:

- Of the Outermost Regions defined in **Article 349** of the Treaty;
- Of the “small isolated systems” defined by **Directive 2009/72/EC** as “... any system with consumption of less than 3 000 GWh in the year 1996, where less than 5% of annual consumption is obtained through interconnection with other systems”.
- On (14), regarding the scope of the regulation, and on (35) regarding measures that will be assessed only on the basis of general compatibility conditions (Section 5.1), **it is necessary to recognise that, for electricity systems located in small islands and in Outermost Regions, a specific assessment is necessary**, bearing in mind the particular provisions for these systems included in Directive 2009/72, and Article 349 of the Treaty.
- In those regions, due to the very limited size of the energy market and the specific organisation of the electricity sector, the notion of “market price” as used in (18) “definitions” or “wholesale electricity price” used in section 5.9 on generation adequacy, or “balancing responsibilities” as used in section 5.2 on renewable energy sources, simply have not the same meaning as on the continent.

We therefore urge the European Commission to consider the following amendments:

Current text	Proposal
(14) These Guidelines do not apply to (a) (...)	(14) These Guidelines do not apply to (a) (...) <i><u>(f) aid granted to projects in small isolated systems or micro isolated systems as defined in Directive 2009/72, and/or in Outermost Regions as defined in Article 349 of the Treaty. Such aid should be assessed by the Commission under the general Treaty rules.</u></i>

Or as an alternative, the following amendment:

Current text	Proposal
(35) Section 5.1 sets out the general compatibility conditions applicable to all aid measures falling within the scope of these Guidelines, unless the more specific sections of chapter 5 derogate from these general compatibility conditions. Accordingly, section 5.1 is in particular applicable to the following measures which are not part of the more specific sections of chapter 5: (a) (...)	(35) Section 5.1 sets out the general compatibility conditions applicable to all aid measures falling within the scope of these Guidelines, unless the more specific sections of chapter 5 derogate from these general compatibility conditions. Accordingly, section 5.1 is in particular applicable to the following measures which are not part of the more specific sections of chapter 5: (a) (...) (f) aid granted to projects in small isolated systems or micro isolated systems as defined in Directive 2009/72, and/or in Outermost Regions as defined in Article 349 of the Treaty.

III - Other issues

III.1 - Aid to energy from renewable energy sources

In point (119) the Commission states that “... it will differentiate in its assessment between aid for deployed and less deployed technologies, depending on their share in electricity consumption reached. **Technologies with a share of at least [1 - 3] % in electricity production at EU level are considered deployed technologies, and technologies with a smaller share are considered less deployed technologies for the purpose of these Guidelines.**”

The CPMR supports the adoption of the higher threshold (at least 3%) so as to ensure that, until they reach a sufficiently mature stage, less deployed technologies may be able to benefit from more flexible support rules, according to the provisions outlined in (121).

III.2 - Aid granted by way of a feed-in-premium or feed-in-tariff

In (120(b)), the Commission states that: “All generators producing electricity from renewable energy sources can bid for the aid on a non-discriminatory basis. If needed to ensure a certain mix of electricity produced from renewable sources, Member States may require a minimum number of different renewable energy sources to receive support without pre-defining those technologies. **Member States may also exclude electricity from specific renewable sources in certain geographical areas if necessary to secure grid stability.**”

The CPMR considers that excluding the production of renewable sources in some areas may have adverse consequences upon the development of the renewable energy potential, and that emerging technologies should not be penalised for being intermittent. Excluding such production should be a worst case scenario. Investing in Grid stability solutions should be regard as a priority, and the development of electricity storage or hydrogen storage encouraged along with continued research on the efficiency of hydrogen conversion.

III.3 - Small installations

In (123) the Commission states that: “Member States may grant aid to installations of first commercial scale and to small installations with an electricity generation capacity of less than [1] MW, except for wind energy, where a threshold of [5 MW or 3 generation units] applies, on the basis of feed-in-tariffs and respecting the conditions set out in point (122)(a), (122)(d) and (122)(e). **Small installations with a common connection point to the electricity Grid will be considered as one installation.**”

The CPMR would like some clarification about the reference to “Small installations with a common connection point to the electricity Grid”. Does this refer to a connection point with the local distribution network or a connection point to the national Main Interconnected Transmission System? In the latter case, this could have a detrimental effect, for it would exclude some island territories from benefitting from this kind of support.

III.4 - Aid intensity

Besides the need for specific aid thresholds in territories beset by geographic and demographic handicaps or in small isolated systems, as outlined in Chapters I and II, the CPMR consider that the aid intensity ceilings set in Appendix I may be somewhat low.

- The Guidelines should perhaps better reflect the fact that the regions listed under Article 107.3. a) of the Treaty tend to be extremely dependant on carbon-emitting energy sources and that therefore, this should be taken into consideration by allowing higher ceilings.
- Bearing in mind the EU’s difficulties in achieving the goals set in the Energy Efficiency Directive, perhaps the aid ceilings in that field should be increased by a linear 5%.

III.5 - Energy Efficiency in buildings

It also seems necessary to consider the importance and the potential of renewable sources in buildings. Most Energy Efficiency Measures in buildings have long pay back periods (normally more than 15 years) for investments related to insulation improvement. Installing renewable generation in buildings (especially to produce electricity) can help substantially to make attractive the energy renovation of a building while opening the market.

However, it seems that several EU countries are trying to avoid the development of renewable energy generation in buildings through taxes and fees to use the Grid.

A specific treatment is needed for the renewables generation in buildings, so as to avoid barriers and facilitate more of these practices.