25.4.2025 Finland Chamber of Commerce

Consultation on the draft Clean Industrial Deal State Aid Framework (CISAF)

General comments

Finland Chamber of Commerce represents 23 000 companies in Finland operating in all fields of industry and commerce. We support the goal of combining competitiveness and decarbonisation as stated in the Clean Industrial Deal.

Finnish companies back strongly EU climate targets and plan to invest heavily in decarbonization in the coming years. Finland is also an attractive destination for clean investments from hydrogen to batteries and renewable and fossil-free materials, due to clean and affordable electricity, strong grids and availability of natural resources and biogenic CO2. Clean transition in Europe should be mainly based on catalyzing private investment, with limited and targeted state support. We are concerned that a path to decarbonization based on extensive state aid will drain public funds and distort competition.

Based on data compiled by the FCC, Member States have notified in 2023-2024 98 state aid schemes with up to 160-billion-euro budgets based on the TCTF and the CEEAG. 22 EU Member States have notified shemes, but three largest EU Member States cover over 70 % of the total budget. This illustrates that loose state aid rules are distortive particularly from the perspective of smaller Member States.

The extension of the framework should be limited in duration and targeted in scope. An extension of 2-3 years would be preferable to an extension until 2030. In case of an extension of five years, different state aid rule exemptions have been in force for the whole decade from 2020 to 2030. Overall aid intensities allowed by the framework should be conservative. The allowed aid intensities in the CISAF draft appear larger than in the TCTF.

In case of an extension of several years, particular attention should be paid into the details of the framework for it to provide enabling conditions for all investments into decarbonization. In comparison to the TCTF, the CISAF draft is more aligned with the principle of technology neutrality. However, several individual details are still limiting the use of nuclear electricity and are problematic on the capture, storage and use of biogenic CO2, for example. From a climate and competitiveness perspective, there is no basis to limiting the sources of clean electricity or on the end uses of captured biogenic CO2. Requirements in the state aid framework should be focused on emissions reductions.

Aid to accelerate the rollout of renewable energy

Section 4.1. should include also investments into low carbon hydrogen and fuels based on low carbon hydrogen in addition to RFNBO.

If you consider the proposed completion deadlines or exemptions therefrom (see point (37)) are not appropriate, please provide concrete justification for any alternative timeline or other exemptions you would consider more appropriate.

The limit of 36 month is challenging particularly for larger project and flexibility would be advised. Any time constraints should include a stop-the--clock mechanism in case of delays outside the power of the project owner. Exempting certain projects with less mature technology, such as hydrogen, is justified.

Aid to deploy industrial decarbonization

In general, we welcome that Section 5 is focused on delivering emissions reductions and energy efficiency rather that individual technologies. The emissions reduction and energy efficiency requirements should be kept at least as high as the CISAF draft proposes to promote decarbonization and limit distortion of competition.

However, despite a more technologically neutral approach than the TCTF, the draft CISAF Section imposes several limitations to the use of low carbon hydrogen when compared to renewable hydrogen.

In the Finnish context, low-carbon hydrogen would be produced with grid electricity that is already 95 % carbon free or through methane splitting where the CO2 is separated into solid form as graphite. Therefore, there is no justification from climate perspective to treating low carbon hydrogen differently from RFNBO. These limitations will be discussed below regarding point (82).

Including carbon capture in the Section is a welcome step, as this can provide incentives to the capture of biogenic CO2 in line with the EU Industral Carbon Management Strategy (2024). However, in contradiction with the ICMS, the draft does not separate biogenic CO2 from fossil CO2, recognize the possibility to generate permanent removals through capture and storage of biogenic CO2 and restricts the end uses of biogenic CO2 in points (83) and (84). For example, point (84) excludes the use of biogenic CO2 for example for chemicals, hampering the decarbonization of the chemicals industry. Limititations to the end use of biogenic CO2 can also make carbon capture investments less attractive.

To alleviate these concerns, the points should be amended as follows (additions in CAPITAL LETTERS):

- (83) ... "result in the avoidance of direct greenhouse gas emissions OR THE REMOVAL OF CO2 FROM THE ATHMOSPHERE taking into account the entire CCS or CCU chain."

- (84) add new point 84c: "CONCERNS THE INSTALLATION OF CARBON CAPTURING EQUIPMENT FOR THE CAPTURE OF BIOGENIC CO2 FOR STORAGE OR UTILISATION (CCS OR CCU).

For aid schemes covering investments relying wholly or partly on the use of hydrogen, section 5, point (82), the new framework takes into account the fact that Article 22a of Directive (EU) 2018/2001 (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02018L2001-20240716) on the promotion of the use of energy from renewable sources (RED) establishes targets for renewable fuels of non-biological origin (RFNBO) for hydrogen in industry. The draft framework does so by laying down a minimum share of renewable hydrogen calculated by reference to the average share of electricity from renewable sources in the Member State concerned, as such project-level contribution to meeting national targets established by EU law is considered a positive effect in the balancing exercise under Article 107(3)(c) TFEU. If you consider that the scope for aid for investments for industrial use of hydrogen should be defined differently, please provide justification and any available evidence for the scope of projects for which you consider that State aid for other types or combinations of hydrogen is required.

Hydrogen is a key component for emissions reductions in heavy industry. As the goal is to promote decarbonization, the requirements for hydrogen in the Section should be defined purely based on emissions. Low carbon hydrogen, at least with emission intensity comparable to renewable hydrogen, should be treated equally to RFNBO hydrogen in point (82).

Article 22a of the RED sets targets for Member States, not individual companies or projects. Additionally, the CISAF Draft set significantly higher targets than RED for those countries that already have a high level of renewable energy and a highly decarbonized grid electricity (95 % carbon free in

the case of Finland). While Article 22a calls for 42% of RFNBO use in industry by 2030, in the case of Finland the required level for recipients of aid based on the CISAF draft would be 67 % - 25 %-points higher than the target in RED. If necessary to use a requirement for RFNBO, it should be no higher than the one established by the RED.

The Section includes several other limitations on the use of low carbon hydrogen in addition to point (82). Restricting the sourcing of low carbon hydrogen makes industrial decarbonization more difficult, as the conditions restrict the ability of an industrial installation to source hydrogen based on their needs and availability of suppliers.

On self-production of energy, point (75b) states that energy, presumably including of hydrogen, should be based on renewable sources. This excludes the production of low-carbon hydrogen or nuclear electricity, which severely limits the possibility of large scale industrial emissions reductions. Low carbon hydrogen and nuclear electricity should be included in (75b).

On aid intensity, point (90) differentiates electrification project utilizing fully renewable electricity (c) from other technologies (d), presumably including electrification projects using nuclear electricity. From climate perpective, there is no justification for deprioritizing investments based on other than fully renewable electricity as long as it is carbon free. Point (c) should include electrification based on carbon free electricity, or a gCO2eq/MJ threshold for emission intensity of electricity. In general, the aid intensities should be conservative.

If you consider that the safe harbour for natural gas based projects in this section on decarbonisation and energy efficiency is not appropriate (see point (101)), please explain and provide evidence for an alternative presumption you would consider more appropriate.

Projects based on fossil fuels should be clearly differentiated from projects based on clean energy sources and therefore additional requirements as set in 100 and 101 are appropriate.

The draft framework allows to provide support for investment costs related directly to the achievement of the greenhouse gas emission savings or energy efficiency. Such support for these investment costs does not cover production capacity increases, but it also does not prevent companies from proceeding at the same time with capacity increases insofar as the increases are not financed by State aid under the decarbonisation section. This is without prejudice to the compatibility of aid for such capacity increases under other sections of the framework, other frameworks or the Treaty. For simplification reasons, the draft framework nevertheless allows increases of capacity up to 5% without having to differentiate between costs for decarbonisation and those related to capacity increases (see point (103)). Do you think the 5% flexibility margin proposed to be appropriate? If not, please substantiate your view with concrete evidence and data.

A simple but limited flexibility margin is appropriate for the sake of simplicity and predictable regulatory environment.

Aid to ensure sufficient manufacturing capacity in clean technologies

The goal to improve European manufacturing capacity in clean technologies such as batteries or critical raw materials is understandable to decrease dependency from outside actors. However, aid should be limited and targeted to fix recognized market deficiencies. As Section 6 allows aid for new manufacturing capacity, there is a high risk of distortion of competition.

The distortive impact of state aid to the single market could be mitigated by improving the ability of all companies operating in the single market to participate in the supply and value chains of investments incentivized by state aid. To facilitate this, Member States should be required, at least with aid extending over a certain threshold, to demonstrate how they will ensure the fair possibility for all companies in the single market to participate in tenders and as suppliers linked to the investment. Through participation in supply and value chain the benefit of the aid could be extended beyond individual Member States.

Point (156) requires Member States to publish relevant information on each individual aid above EUR 100 000 within 6 months. To improve transparency, the publication should be significantly faster for large aid amounts.

The intensity and conditions of aid should also be assessed against developments in other major economies. The TCTF was launched largely as a response to the US IRA package. The policies of the new US administration and possible changes to the IRA, including withdrawing or limiting support for some clean technologies should be assessed when preparing the CISAF.

The list of clean technologies in point (122) eligible for manufacturing aid should be defined by reference to identifiable market failures in ensuring resilient supply of such technologies. Please indicate whether you consider that the scope for aid for clean tech manufacturing equipment and components activities under section 6 should be aligned with the scope of the corresponding section of the Temporary Crisis and Transition Framework (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02023XC0317%2801 %29-20240502) (as set out in the draft for consultation of stakeholder views), with the scope of the Annex of the Net Zero Industry Act (https://eur-lex.europa.eu/eli/reg/2024/1735/oj/eng), or with some other sub-set of such technologies. Please provide justification and any available evidence for the scope of projects for which you consider that State aid for additional manufacturing capacity is required.

From the persective of technological neutrality, applying the scope of the Annex of the NZIA would be justified as this presents a broad list of clean technologies required in decarbonization. As the goal of the NZIA is to grow European manufacturing capacity in these technologies, it would align well with the Clean Industrial Deal and the CISAF. This would also represent harmonization of legislation and regulation.

However, the extension of the scope of the Section should be combined with more focus to limiting the distortive effects of state aid. With mature technologies or large amount of aid to individual companies, this could be done for example by reguirinq high level of excellence or innovative elements from the recipients of funding. Particularly, the ability to match aid level with a third country should be assessed critically.

Aid to reduce risks of private investments

Section 7 is a welcome step to catalyze private investment and funding into decarbonization.