BEUC The European Consumer Organisation

The Consumer Voice in Europe

Mr Johannes Laitenberger
Director General
Directorate General Competition
European Commission
Rue de la Loi 200

B – 1049 Brussels

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24 July 2019

Re: Future State aid decisions related to energy must better protect the interest of consumers.

Dear Mr Laitenberger,

I am writing to you on behalf of BEUC, The European Consumer Organisation, to share our concerns with regards to energy subsidies that harm consumers and hinder the decarbonisation of the energy sector.

We welcome the European Commission's targeted consultation evaluating the Guidelines on State aid for Environmental protection and Energy 2014-2020. BEUC submitted its answer to the consultation, and I would like to raise your attention to the alarming impact of subsidies allowed by the Guidelines. At the same time, I want to highlight other important issues impacting consumers in the current State aid framework.

Too many industries receive massive reductions in energy prices which results in unacceptable costs passed on to consumers.

First, the Guidelines allow Members States to give significant discounts to a large number of industries[1] on the support for renewable generation. These discounts are usually claimed as necessary to keep EU companies competitive. Yet, they have also made households' electricity bills rise and put an extra burden especially on those consumers in vulnerable situations.

Second, many Member States give additional support to large industry through subsidies beyond what is addressed in the Guidelines. For example, reductions on network tariffs are not included in the Guidelines. In Germany, some industries receive 90% discount in their network tariffs. There are also attempts to reduce the levies from capacity mechanisms for energy intensive users in Poland.[2] These subsidies make the surge of energy costs for households even more untenable, and put thousands of families at risk of indebtment or harm to their health due to reduced use of energy.[3] This can also lead to a backlash for policies to meet the targets of the Energy Union and the Paris Agreement.

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[1] Section 3.7.2 of the Guidelines on State aid for Environmental protection and Energy 2014-2020 (EEAG)
[2] See State aid demand by the Polish Government currently under formal investigation provision SA.51502 http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_51502
[3] See for example https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5486270/

Third, there is a race to the bottom between Member States to give energy discounts to industry in order to keep jobs in their countries. This competition is not with China or India, but among European countries. Thereby, this approach is causing distortions in the internal EU market. It is simply not sustainable to use national energy subsidies to increase competitiveness of EU firms. At the same time, it reduces the ability of the EU to achieve its climate objectives. Industries using significant amounts of energy do have some incentive to reduce consumption. But the lower the energy prices they pay thanks to the reductions they receive, the lower the incentives they have to implement energy efficiency measures. Thus, the massive reductions received by some industry thwart the implementation of energy efficiency measures. Energy efficiency is the most sustainable way to increase competitiveness and achieve Europe's climate goals.[4]

Moreover, it is alarming how the Guidelines assess competitiveness: with arbitrary, oversimplified and very lenient criteria. Similarly, Member States have given significant subsidies without an understanding whether they have helped competitiveness.[5] On the other hand, not all industries will need the same level of support. Yet, the Guidelines allow Member States to give a blanket discount of 85% on the renewables' surcharges without any justification. This level is disproportionate.

We urge the European Commission to limit any form of subsidy to industry energy prices as they distort the market and avoid reaching the climate objectives. We strongly recommend blocking schemes being paid through electricity bills as they especially harm vulnerable consumers. Instead, we call on the Commission to focus on measures that improve energy efficiency and are sustainable for the competitiveness of EU firms. We also urge the Commission to avoid State aid measures that put most of the burden on the poorest EU citizens.

Keeping the lights on is essential for consumers, but many Member States use measures that are too expensive and sustain dirty plants.

Many capacity mechanisms have resulted in subsidising fossil fuel power plants.[6] This means that consumers are paying for both renewables to decarbonise the system and for polluting plants. This is like going to the hospital to get both the disease and the cure.

The Clean Energy for All Europeans package attempts to solve this contradiction by not allowing power plants with high carbon emissions to participate in capacity mechanisms. The Guidelines have also an important role to play. Indeed, some capacity mechanisms were deliberately designed to subsidize fossil fuel power plants.[7] Others were designed in a way that limited the participation of more sustainable, and potentially cheaper, solutions. For example, in the UK, aggregated self-generation, demand response or interconnection found it hard to participate.[8]

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[4] For instance, Danish industries only receive reductions in the renewable surcharges if they commit and stick to energy efficiency improvements. See:
http://ec.europa.eu/competition/state_aid/cases/259362/259362_1691772_143_2.pdf

[5] For example, the federal German government could not tell which energy intensive industries have demonstrably migrated outside the EU due to high electricity prices, nor which energy intensive industries have opened new sites abroad -
https://www.bmwi.de/Redaktion/DE/Parlamentarische-Anfragen/2018/19-686.pdf?__blob=publicationFile&v=4

[6] See for example https://www.greenpeace.org/eu-unit/issues/climate-energy/1519/exposed-e58-billion-in-hidden-subsidies-for-coal-gas-and-nuclear/

[7] For example in Greece https://www.clientearth.org/the-capacity-mechanism-greece-wants-is-a-boon-for-fossil-fuels/ and the UK https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-consultation-responses/consultation-on-reforms-to-the-capacity-market-march-2016/

[8] See the letter with recommendations of Citizens Advice to the UK government during a review of capacity mechanisms
https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Energy%20Consultation%20responses/Response%20to%20BEIS%20call%20for%20evidence%20on%20the%20capacity%20mechanism%20(1).pdf

Moreover, many Member States already give other forms of support to power plants and large industry to maintain the lights on. These are not considered in the Guidelines. For example, Germany has two schemes: the grid reserve and a scheme for lignite-fired power plants. Some lignite plants have access to both schemes and receive double compensation whilst using very polluting sources of energy. The grid reserve and the lignite plants cost 257 million EUR in 2016[9] and 149 million EUR in 2018[10].

We urge the Commission and Member States to be strict and thorough on the assessment of the future needs of subsidies for fossil fuel power plants. Any scheme to support security of supply should support cleaner and cheaper options, including energy efficiency. The schemes should also consider and assess other supports beyond capacity mechanisms that are paid by consumers, especially those for polluting power plants.

While consumers are the most affected by State aid in energy, consumer organisations cannot participate in State aid procedures.

We regret that, according to the Regulation 2015/2589, consumer organisations are not allowed to participate in State aid procedures. Yet companies' associations are qualified as interested parties. This is even though consumers are often the most affected party when subsidies are financed through their bills.

We urge the Commission to improve the tools that consumer organisations have to influence and participate in State aid procedures with direct impact on consumers.

We trust that you will take consumer interests into account. We remain at your disposal for any follow-up questions you may have.

With best regards,

Monique Goyens
Director General

C/c: Klaus-Dieter Borchardt, Deputy Director-General, DG ENER
Anna Colucci, Director, DG COMP

[9] https://www.bundesnetzagentur.de/SharedDocs/Pressemitteilungen/EN/2017/20112017_Monitoring2017.html
[10] http://www.vonholtz.de/wp-content/uploads/2018/06/19-686-1.pdf2018