EGEC views on the EU Framework for State Aid for Research, Development and Innovation

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EGEC, the voice of the European geothermal industry, is a not-for-profit association representing the entire value-chain of the industry across 28 countries. It is included on the European Transparency Register number: 1145810335-07 Further information can be found at www.egec.org

We welcome the opportunity to contribute to the Roadmap on State Aid Rules for Research, Development and Innovation. We support the European Commission’s position to update the existing framework in a targeted manner to reflect current regulatory, economic and technological developments. Our main recommendations are:

1. Providing a clear methodology for defining innovative technologies

The current State Aid rules for Research, Development & Innovation do not provide a clear definition of the types of technologies which can be classified as “innovative”.

For example, engineered geothermal systems in high-temperature industrial processes are new and innovative applications facilitate deployment of renewable district heating systems for urban areas and high temperature (>150°C) heat supply for industrial process heat.1 Innovative “closed-loop” geothermal systems could provide sufficient renewable heat for buildings, services and low-to-medium temperature requirement in every location across the EU and globally.

Under the current provisions, it is unclear if Member States can grant aid for these innovative solutions. This should be made explicit in the new guidelines to avoid confusion, ambiguity or delay.

2. Exempt demonstration projects from the notification requirement

Commercial-scale demonstration projects for geothermal and other renewable energy technologies are essential steps to commercial deployment. Pre-market technologies have a higher risk factor, which, when combined with their capital-intensive nature, requires additional State Aid support. Technology and project developers are often SMEs, research institutes and universities with limited resources. Therefore, timely access to State Aid to advance EU expertise in geothermal and other innovative technologies is a vital component

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of industrial policy. Removing the notification period for State Aid has a considerable positive impact on commercial-scale demonstration projects because it removes additional risk and makes them more attractive to co-funders and partners.

3. Allowing 100% aid intensity without prior notification for innovative projects

Innovative projects are usually high risk and capital intensive. There is a need to enhance EU’s public financial support for innovative projects by outlining specific provisions and 100% aid intensity for innovative technologies.

For example, supporting exploration of geothermal lithium deposits is vital to reducing import dependency on processed lithium by sourcing geothermal lithium deposits within the EU. Already, significant deposits of geothermal lithium have been found along the Rhine Valley in Germany and France and are in the process of being sustainably extracted. Increasing State Aid intensity to 100% ensures the EU is able to develop domestic supplies and capture the lucrative stages of the lithium-ion battery value-chain by investing in processing facilities within the EU. At present, China and the US dominate the lithium-ion processes industry. We recommend providing 100% aid intensity without prior notification for innovative projects to make the EU competitive in this vital sector.

4. Block exemption for Risk Insurance Schemes

Many Member States provide risk insurance which helps to reduce the cost of large-scale geothermal projects. In rare instances where heat flows at the depths originally planned are less than forecast, risk insurance pays out to these project developers. Risk insurance is vital to cost reduction pathways for the geothermal industry. Therefore, all national risk insurance schemes should be granted a block exception from State Aid requirements to increase the attractiveness of private capital into geothermal projects with minimum public outlay.

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