To: Executive Vice-President Timmermans  
  Executive Vice-President Vestager  
  Commissioner Simson  

CC: Director-General Juul-Jorgensen  
  Director-General Guersent

Thursday 3 June 2021

Dear Executive Vice-President Timmermans  
Dear Executive Vice-President Vestager  
Dear Commissioner Simson

Ensuring the State Aid Guidelines are compatible with the Fit for 55 Package and the Renewable Energy Directive

The European geothermal industry welcomes the European Commission’s initiative to make the Guidelines for Environmental and Energy Protection compatible with the European Green Deal’s 2030 and 2050 climate and energy targets.

The purpose of the revision must be to ensure a level-playing field and market access for geothermal and other renewable energies so that they can overcome substantial fossil fuel subsidy barriers to entry. These barriers shield fossil fuels from competition from cheaper, indigenous and sustainable renewables, do not harm consumers with climate pollution or increase geopolitical risks to the Union through high-cost energy imports. Geothermal energy and energy savings are the key means to achieve the 2030 targets at the least cost to consumers and society with the highest benefit.

We call on you to include the following measures in the upcoming revision:

- **Renewable Energy and energy savings must remain the central focus of the State Aid Guidelines:** The EEAG framework was established to accompany the implementation of the EU’s Climate and Energy Framework, of which increasing market shares of renewable energy, through the Renewable Energy Directive, remains a key foundation. State Aid is crucial to fix the market failures that prevent the market uptake of renewable technologies that can allow to reach the EU’s binding 2030 renewable energy target.

It is crucial to take into consideration the different maturity levels, specific barriers as well as risk profiles of different renewable energy technologies. The new RES-D and State aid guidelines should ensure that support mechanisms for local and less developed renewable energy technologies are tailor-made. Furthermore, demonstration projects for innovative renewable technologies should be exempted.
• **Heat infrastructure investment - Article 3.8 Aid to energy infrastructure:** Energy infrastructure that demonstrates 100% renewable energy distribution, notably for heating and cooling, from inception must be prioritised by Member States when allocating State Aid. The current definition of "Efficient District heating and cooling" must be replaced by systems that supply 100% renewable energy to be consistent with the binding Renewable Energy Directive. Furthermore, to avoid competitive distortion, aid for fossil gas or hydrogen can only be granted after geothermal energy infrastructure has been commissioned.

• **Risk Mitigation - Article 3.3 on Aid to energy from renewable resources:** Risk mitigation schemes and public insurance schemes, are a proven solution to rapidly drive down the cost of geothermal projects, and that of other renewable technologies. Member States must be allowed to established renewable energy risk mitigation schemes that cover at least 90% of the costs of project and 100% of specific costs such as the exploration drilling for a geothermal project.

• **Geothermal Lithium – New article on Circular economy and resource efficiency:** The co-production of raw materials such as lithium extracted from brines used in the operation of a geothermal power and/or heat plant must be considered as contributing to the objectives of the circular economy, sector coupling and resource efficiency. Given the geopolitical and economic strategic importance of lithium, State Aid support for exploration and extraction of lithium from geothermal capacity must be exempt from State Aid requirements.

• **Coherence between energy efficient heating and cooling aid to the Renewable Energy Directive - Article 3.4 on Aid for energy efficiency and environmental performance of buildings:** State Aid granted to improve the energy efficiency inside a building must be linked to renewable energy technologies outlined in the Renewable Energy Directive, to avoid granting aid which incentivises fossil fuel consumption.

• **Capacity Remuneration Mechanisms (CRMs) - Article 3.9 on Aid for generation adequacy:** Non-renewable energy solutions must be excluded from CRMs and renewable flexibility resources given priority. Geothermal power plants are already operated as baseload or flexible plants, able to provide balancing services. Giving priority to renewable flexibility resources in CRM and other such mechanisms reduces the risks of undue subsidies to stranded fossil fuel assets.

I look forward to the incorporation of these measures in the upcoming reform of the State Aid Guidelines and look forward to discussing these issues with you should you require additional clarification.

Yours sincerely

Philippe Dumas
Secretary General
European Geothermal Energy Council