



*Employers entrusted to deliver
Sustainability Growth Innovation*

Position Paper

Consultation on the draft Clean Industrial State Aid Framework

25/04/2025

Executive Summary

This transversal contribution presents a consensus-based set of proposed amendments to the European Commission's draft Clean Industrial State Aid Framework (CISAF). As the cross-sectoral social partner representing providers of Services of General Interest from a broad range of sectors including amongst others energy, waste management public transport and water services, SGI Europe's contribution reflects shared concerns and proposals from multiple stakeholders. Our contribution emphasises in particular the need for greater flexibility, technological neutrality, operational cost support, and recognition of diverse regional and industrial contexts to ensure a just and effective green transition.

General comments

General Observations

- Ensure access to both CAPEX and OPEX support for innovative decarbonisation and renewable and low-carbon energy projects, even when works have already begun.
- Allow OPEX mechanisms to be designed based on primary legislation alone, without awaiting full implementation.
- The definition of “fully renewable electricity” in section 2 should not be limited to electricity produced following the RFNBO delegated act rules, but include all kinds of electricity from renewable sources under Directive (EU) 2018/2001 (RED).

Section 4 – Renewable Energy

- Explicitly recognise the OPEX-intensity of renewable investments like hydrogen and renewable gases, storage, and district heating and cooling.
- Consider regional disparities (e.g., market zone effects) when designing aid for renewable projects.
- Extend implementation deadline to 42 months, with optional 24-month extensions in cases of delays.
- Include climate-neutral non-fossil sources (e.g., waste heat, sewage gas) under eligible renewable categories.
- Support schemes should include RFNBO reconversion for electricity production as a flexibility solution, provided that double-funding safeguards are in place.

Section 4.2 – Non-Fossil Flexibility Support Schemes

- Permit Member States to define how flexibility costs are recovered, ensuring context-sensitive solutions.
- Allow the parallel coexistence of non-fossil flexibility support schemes and capacity remuneration mechanisms, as provided for in Regulation (EU) 2019/943, by removing the temporal limitation foreseen in paragraph 57 of the CISAF.

Section 4.3 and Annex I – Aid for capacity mechanisms

- In line with Regulation (EU) 2019/943, remove the obligation to jointly procure resources for non-fossil flexibility and capacity mechanisms. It is sufficient to require instead that, where a Member State applies both a capacity mechanism and a non-fossil flexibility support scheme, it must be ensured that capacity contracted under the capacity mechanism is not simultaneously contracted also under a non-fossil flexibility support scheme (and vice versa).

Section 5 – Industrial Decarbonisation

- Include both CAPEX and OPEX elements in support schemes for key decarbonisation pathways.
- Use performance-based, rather than technology-fixed, aid intensities. Allow flexibility for electrification and hydrogen.
- Remove unjustified restrictions to the use of biomass for industrial decarbonization: rectify the definition of renewable hydrogen by including, besides RFNBO hydrogen, also hydrogen from sustainable biomass pursuant to Directive (EU) 2018/2001; remove the obligation to use hydrogen from sustainable biomass and low-carbon hydrogen only in combination with RFNBOs; include biomass-based heat among priority sources for decarbonized industrial heat.
- Support material recovery from industrial waste (e.g., phosphorus) under clean industrial transition.
- In line with RED, aid eligibility should include low-carbon hydrogen pathways where sustainability and GHG criteria are fulfilled.

Section 6 – Clean Tech Manufacturing Capacity

- Ensure that projects previously supported via CAPEX remain eligible for OPEX schemes.
- Enable support for clean tech value chain actors, including those involved in material recovery and system integration.

Cross-Cutting Suggestions

- Broaden SME definition to include municipal and hybrid utilities.
- Clarify cumulative aid rules between CISAF, CEEAG, and national frameworks to improve planning certainty.

Proposed amendments to the draft CISAF communication

Section 2 – Definitions

Amendment:

“‘fully renewable electricity’ means ~~fully renewable~~ electricity ~~within the meaning of the rules set out in Commission Delegated Regulation (EU) 2023/1184 of 10 February 2023 supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a Union methodology setting out detailed rules for the production of renewable liquid and gaseous transport fuels of non-biological origin;~~ from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, osmotic energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas; “

Justification:

The notion of “fully renewable electricity” has no legal basis in the EU legislative framework. It is factually false and legally inaccurate to argue that “fully renewable electricity” is limited to electricity produced following the RFNBO delegated act rules. This approach would also exclude electricity from sustainable biomass, which has no basis in EU legislation. The definition should be modified, equating “fully renewable electricity” with electricity produced from renewable energy sources as defined in Directive (EU) 2018/2001.

Section 3.1 – Positive condition

Addition:

‘The EU SME definition should be interpreted flexibly to include municipal and hybrid utilities that meet size and turnover criteria but are excluded due to ownership structure.’

Justification:

This ensures the inclusion of key local actors – local public services enterprises – who are at the heart of the clean transition and are currently disadvantaged despite their eligibility based on the strictly operational scale.

Paragraph 32

Amendment 1:

Amendment:

“The Commission will consider compatible with the internal market on the basis of Article 107(3), point (c), of the Treaty, provided they comply with this section, together with section 3, aid measures to support:
(a) investments for the production of energy from renewable sources as defined in Article 2 point (1) of Directive (EU) 2018/2001²³, including the production of renewable fuels of non-biological origin (RFNBOs)²⁴ ~~but excluding and~~ the production of electricity from RFNBOs;”

Justification:

Re-electrification of RFNBOs (e.g. with Hydrogen Gas Turbines) is required and offers significant benefits for the EU's energy transition strategy. In most countries, transition to a fully decarbonised power system will not be possible without modern gas turbines and combined-cycle power plants running on RFNBOs. By excluding RFNBOs re-electrification, the framework may inadvertently hinder the development and deployment of such innovative technology that is crucial for achieving the EU's climate goals. Thus, hydrogen gas turbines, illustrative of RFNBO-fired power plants, should be explicitly categorised as net-zero technologies. Such novel technologies are currently in the validation phase on a small scale and in development for large-scale power generation. Such technologies require financial aid to De-risk the market introduction. RFNBOs re-

electrification in the broader context of the Clean Industrial Deal should be recognised. Their exclusion also risks delaying deployment of critical non-fossil flexibility and undermining the energy security goals of the Clean Industrial Deal.

Amendment 2:

Addition:

- “c) operational expenditures for renewable and low-carbon energy production, including hydrogen, biogas and biomethane.**
- d) investments and operational expenditures for low-carbon and climate-neutral energy sources, where compliance with the ‘do no significant harm’ principle and lifecycle GHG performance can be demonstrated.”**

Justification:

The suggested amendment ensures technology neutrality and recognises the role of climate-neutral sources beyond traditional renewables, supporting a broader and just transition. This amendment broadens eligibility to clean and low carbon energy sources with demonstrable climate neutrality. It supports a diversified and just transition strategy while safeguarding environmental integrity.

Also, the amendment recognized that some forms of renewable energy production, such as biogas and biomethane, are rather activities where operating costs (OPEX) are more predominant. It would therefore be important to broaden the provisions of the CISAF by providing for the possibility of adequately supporting also OPEX-intensive projects such as the production of biogas and biomethane. Furthermore, the biogas/biomethane sector, compared to other renewable sources, is highly exposed to inflation, due to the costs of raw materials and transport. It is therefore crucial to introduce tariff adjustment mechanisms over a long-term horizon (20 years).

New Paragraph after Paragraph 32

‘Electrolytic hydrogen production, whether RFNBO or biohydrogen, should be recognised as OPEX-intensive and treated accordingly. State aid rules must consider the impact of a country’s geographical and market structure (e.g., energy price zones), which affects access to affordable electricity, to avoid distorting competitiveness between Member States.’

Justification:

Recognising geographical electricity price disparities avoids unintentional competitive disadvantages for projects located in certain Member States. This ensures fairness across Member States with structurally different energy cost conditions, and provides viable support for hydrogen ramp-up.

Paragraph 37

Replace current text with:

‘With the exception of offshore wind, hydropower, including hydro storage, and renewable hydrogen production installations, supported projects must be completed and be in operation within 42 months after the date of granting. Member States may extend this deadline by up to 24 additional months in case of delays beyond the developer’s control.’

Justification:

Extending the timeline addresses practical barriers related to permitting, supply chains, and grid connection issues.

Paragraph 57

Amendment:

“If a capacity mechanism is implemented in the Member State concerned, the design of this capacity mechanism should be open to the participation of non-fossil flexibility such as demand response and storage to this capacity mechanism and promote their development in this capacity mechanism³⁷.”

~~³⁷ In duly justified cases, the measure can envisage a limited transition period up to 2 years, during which market-wide capacity mechanisms and non-fossil flexibility measure can co-exist, for the integration of urgent measures for flexibility into a capacity mechanism, provided they remain proportionate and do not lead to overcompensation.”~~

Justification:

Paragraph 57 of the CISAF, in particular the footnote referred to therein, introduces an element of contradiction with the provisions of Regulation (EU) 2019/943, Article 19g. While the Regulation provides for the possibility that a capacity mechanism and non-fossil flexibility support schemes coexist in the same Member State, the CISAF instead speaks of a transitional period limited to 2 years within which the two mechanisms can coexist; after which, the two mechanisms should be integrated. This passage of the CISAF raises serious concerns as we believe that the two mechanisms perform two different functions and must therefore remain clearly distinct. Systems to ensure the adequacy of the system, such as capacity markets, aim to ensure that the total electricity supply is sufficient; flexibility instruments instead ensure that the system can dynamically adapt to short-term changes. Both are essential for a stable and reliable electricity system.

However, while system adequacy tools can also be used to address some flexibility needs (e.g. “peaker” gas plants contracted by the capacity mechanism can increase production at short notice), flexibility tools alone do not necessarily ensure system adequacy and reliability. In addition, electricity system needs vary according to local conditions, even within the same country: some areas may have a greater need for adequacy services (e.g. areas with higher electricity demand) and others require more flexibility tools (e.g. areas with more variable renewable generation). As a result, it is not always possible/reasonable to jointly procure adequacy and flexibility tools (also consider that capacity markets stipulate power contracts - MW - while flexibility support programmes normally stipulate energy contracts - MWh).

In conclusion, the proposal in the CISAF draft to require the joint procurement of capacity resources and non-fossil flexibility, as well as the time limitation foreseen for the coexistence of capacity mechanisms and non-fossil flexibility support schemes introduce unnecessary rigidity and constraints, which may reduce the ability of each of the two instruments to respond to the different needs of the electricity system. Instead, CISAF should follow the text of the Electricity Market Design reform and allow capacity mechanisms and non-fossil flexibility support schemes to coexist in parallel. We therefore suggest deleting footnote 37.

Paragraph 66

Add clarification:

‘Member States may apply flexible approaches to cost recovery from consumers, ensuring proportionality and regional equity.’

Justification:

This provides Member States with discretion to tailor schemes according to national contexts, improving acceptability and fairness.

Paragraph 68 and Annex I – Capacity Mechanisms

Amendment 1 (Paragraph 68):

Proposal:

CISAF should ensure flexibility in capacity mechanism design by allowing both centralised and decentralised models, tailored to national system needs. Non-fossil flexibility (e.g. demand response, storage) should be integrated either as standalone components or within combined delivery structures.

Justification:

Avoiding a one-size-fits-all approach respects national differences in energy system structure and enhances investment certainty. Decentralised capacity market elements help activate consumer-side flexibility and support system integration in renewable-heavy grids.

Amendment 2 (Annex I):

- 1 SR, MW a) the latest available European Resource Adequacy Assessment (ERAA) central reference scenarios approved by the European Union Agency for the Cooperation of Energy Regulators (ACER) **and the National Resource Adequacy Assessments (NRAAs)** must be the ~~sole~~ basis for identifying the need for a capacity mechanism. The reliability standard, calculated as the ratio of cost of new entry (CONE) / value of lost load (VOLL), must not be met in the Member State concerned at least as of the first delivery window (see criterion 17 below) within the approval period;

Justification:

The complementarity between National Resource Adequacy Assessments (NRAAs) and the European Resource Adequacy Assessment (ERAA) is essential in defining resource adequacy concerns and the need for a capacity mechanism. The NRAAs complement the ERAA by assessing several key sensitivities for certain countries, while the ERAA is only based on one central scenario.

As outlined in the Electricity Regulation, ERAA should serve as the basis for dimensioning the parameters of the capacity mechanism only when no national resource adequacy assessment is available. Thus, by using solely the ERAA central scenario, the proposed approach risks oversimplifying the complexity of national energy systems and the actual adequacy needs of individual Member States might not be properly addressed. SGI Europe proposes that NRAAs could also be taken into account when identifying the need for a capacity mechanism.

Amendment 3 (Annex I):

Addition - Footnote 1:

'Value of lost load (VOLL)' means value of lost load as defined in Article 2, point 9 of the Electricity Regulation. VOLL and CONE should be the figures provided by ACER as envisaged in the Commission's 3 March 2025 Report on the assessment of possibilities of streamlining and simplifying the process of applying a capacity mechanism, once available, **or nationally calculated**. In the meantime, they should be calculated according to the ACER Decision of 2 October 2020 on the Methodology for calculating the value of lost load, the cost of new entry, and the reliability standard.

Justification:

The EC states that VOLL and CONE figures provided by ACER should be used by Member States to calculate their reliability standard as a condition for fast-tracking. While standardisation can provide clarity, we point out that this approach could overlook specific national characteristics and lead to the imposition of a one-size-fits-all reliability standard that may not be appropriate for all Member States.

Amendment 4 (Annex I):

- 21 MW If Member State applies both a capacity mechanism and a flexibility measure, or already has a flexibility measure in place, capacity ~~should be jointly procured¹⁰~~ **contracted under the capacity mechanism cannot be simultaneously contracted under the flexibility measure, and vice versa.**

Justification:

Capacity mechanisms and non-fossil flexibility support schemes target two different needs of an electricity system. Systems to ensure the adequacy of the system, such as capacity markets, aim to ensure that the total electricity supply is sufficient; flexibility instruments instead ensure that the system can dynamically adapt to short-term changes. Both are essential for a stable and reliable electricity system. However, while system adequacy tools can also be used to address some flexibility needs (e.g. “peaker” gas plants contracted by the capacity mechanism can increase production at short notice), flexibility tools alone do not necessarily ensure system adequacy and reliability. In addition, electricity system needs vary according to local conditions, even within the same country: some areas may have a greater need for adequacy services (e.g. areas with higher electricity demand) and others require more flexibility tools (e.g. areas with more variable renewable generation). As a result, it is not always possible/reasonable to jointly procure adequacy and flexibility tools (also consider that capacity markets stipulate power contracts - MW - while flexibility support programmes normally stipulate energy contracts - MWh). It is therefore suggested to amend point 21 of Annex I, which provides for the obligation to jointly procure resources for capacity mechanisms and for non-fossil flexibility, by providing instead that, where a Member State applies both a capacity mechanism and a non-fossil flexibility support scheme, it must be ensured that capacity contracted under the capacity mechanism is not simultaneously contracted also under a non-fossil flexibility support scheme (and vice versa). It is also suggested, consequently, to delete footnote no. 10 of Annex I, which is no longer relevant given the amendment proposal.

Paragraph 73 – Decarbonisation of Industrial Heat

Proposal:

The framework should maintain technology neutrality in industrial heat decarbonisation. Hydrogen (including low-carbon hydrogen) should be eligible alongside electrification and biomass-based options, provided the environmental safeguards are met.

Justification:

Naming specific technologies limits innovation. A flexible approach allows the best local solution to emerge, especially for high-temperature heat processes and integrated industrial systems.

Paragraph 75

Add to end of paragraph:

‘...or where electricity is sourced from clean energy suppliers through long-term Power Purchase Agreements (PPAs) and traceable guarantees of origin.’

Justification:

This recognises that on-site generation may not be feasible for all projects and enables fair access to clean electricity through reliable contractual arrangements.

Paragraph 82 – Hydrogen Composition Requirements

Amendment:

“For aid schemes covering investments relying wholly or partly on the use of hydrogen, Member States must impose conditions ensuring that projects use only renewable hydrogen⁴⁸, ~~or a combination of renewable hydrogen~~, hydrogen which is produced from biomass compliant with the sustainability and greenhouse gases emissions saving criteria in Directive (EU) 2018/2001 and its implementing or delegated acts, ~~and~~ low-carbon hydrogen⁴⁹ ~~or a combination thereof~~.

⁴⁸: Hydrogen which is produced from renewable energy sources in accordance with the methodologies set out for renewable liquid and gaseous transport fuels of non-biological origin in Directive (EU) 2018/2001 and its implementing or delegated acts; **and hydrogen which is produced from biomass compliant with the sustainability and greenhouse gases emissions saving criteria in Directive (EU) 2018/2001** (‘renewable hydrogen’).”

Proposal:

The condition tying the minimum share of renewable hydrogen to the national average share of renewables in the grid (plus 10%) should be reconsidered. Instead, a fixed transitional minimum or multi-year average could be used to avoid penalising Member States with high renewable shares. Also, a fixed transitional threshold or project-level RE sourcing (e.g., via PPAs) could be used to avoid linking renewable hydrogen thresholds strictly to national electricity mixes.

Justification:

The proposed linkage could make aid ineligible for Member States already far along in the energy transition. It creates an uneven playing field and may discourage innovation in low-carbon hydrogen deployment.

The conditions set in paragraph 82 appear excessively restrictive for certain types of hydrogen, including hydrogen from sustainable biomass (“biohydrogen”) and low-carbon hydrogen. While it is true that Member States have specific targets for RFNBO use in industry, such targets can be reached by leaving open the possibility of granting larger State aid schemes for RFNBOs compared to other hydrogen technologies; however, it appears unnecessary that the CISAF limits the possibility of granting State aid also to other forms of hydrogen. In particular, the obligation for hydrogen produced from sustainable biomass pursuant to Directive (EU) 2018/2001 on Renewable Energy (RED) to be consumed in combination with RFNBOs and low-carbon hydrogen is inconsistent with the European regulatory framework - which fully recognizes sustainable biomass as a renewable energy source - and risks severely limiting the contribution of this energy source to industrial decarbonisation. In light of this, it is suggested to overcome the obligation of combined use of biohydrogen and low-carbon hydrogen with RFNBO hydrogen and to review the definition of “renewable hydrogen” within the CISAF, to also include hydrogen generated from biomass compliant with the sustainability and greenhouse gas emission reduction criteria outlined in Article 29 of the RED. The same comments and suggested amendments can be extended to Point 107.

Paragraph 90(d)

Replace:

'20%' with 'up to 35%' for electrification and hydrogen-related investments. Add clarification that performance-based criteria should be prioritised over fixed technological classifications.

Justification:

Replace '20%' with 'up to 35%' for electrification and hydrogen-related technologies to adjust intensity caps and to base aid on results rather than fixed categories in order to improve cost-efficiency and reflect real project needs.

Paragraph 92

Amend to read:

'Funding gap methodologies should account for both CAPEX and OPEX to reflect total lifecycle project viability, especially for energy-intensive decarbonisation technologies.'

Justification:

Recognises the full financial scope of industrial transition and ensures long-term sustainability of decarbonisation investments.

Paragraph 98 – Indirect Emissions Presumption

Proposal:

Maintain the current presumption that indirect emissions are negligible if the project uses fully renewable or low-carbon electricity or is in a highly decarbonised zone. Consider allowing PPA-backed supply chains as an alternative condition.

Justification:

This ensures that indirect emissions assessments do not penalise projects connected to the grid but committed to using clean energy through contracts (e.g., PPAs), which is more realistic for many industrial operators.

Paragraphs 101-103 – Natural Gas in Transition & CCUS

Proposal:

While supporting the conditional use of natural gas as a transition fuel, flexibility should be maintained for uncertainties in future hydrogen availability. The phase-out commitment must account for regional development paths and infrastructure timelines.

Justification:

Though the logic of future conversion is sound, overly rigid enforcement may hinder short-term decarbonisation. Capacity to retrofit or switch fuels depends on actual market maturity, not just equipment specifications.

Paragraph 122 – Eligible Clean Technology Assets

Proposal:

Explicitly include equipment for the recovery of critical secondary raw materials (e.g., phosphorus from sludge) as eligible assets. These contribute both to industrial circularity and the EU's strategic autonomy goals.

Justification:

Recognising circular resource use reinforces the Clean Tech pillar and encourages innovation in waste valorisation technologies.

Section 6.1 – New Paragraph

Add:

'The framework should be broadened to support the recovery and recycling of secondary raw materials, such as phosphorus from sludge, as part of industrial circularity.'

Justification:

This expands the framework's contribution to strategic autonomy and environmental sustainability by promoting the circular use of resources.

Paragraph 146 – Reducing Investment Risk

Proposal:

Ensure that investment de-risking tools (e.g., guarantees, blended finance vehicles) are accessible to municipal and smaller industrial actors, not just large investors. Create simplified access channels or dedicated funding windows.

Justification:

Many local actors or utilities operate under public ownership structures and face challenges accessing sophisticated financial tools. Targeted inclusion enhances equity and accelerates investment at all levels.