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It's electrifying! State aid and e-mobility

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Public intervention in the energy transition: State aid

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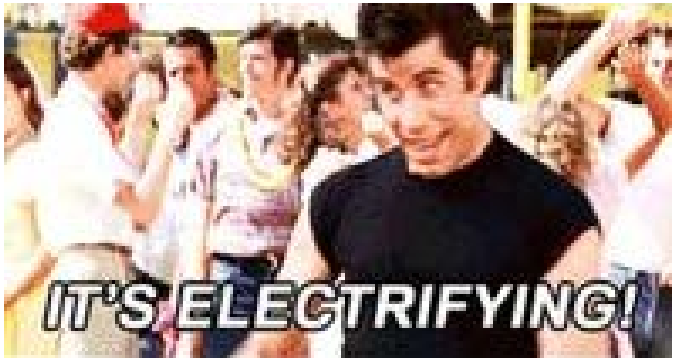
Electricity and e-mobility

"*Cause the power you're supplying, …*



"

(cf. J. Travolta and O. Newton-John, 1978)

→ Electricity sector is pivotal for achieving EU climate targets

1. Electricity generation itself accounts for more than one-third of total GHG emissions in the EU
2. Sector has significant decarbonisation potential
   - Switch to renewable energy sources in production (& demand side measures)
   - Sector can facilitate the deployment of low-carbon technologies in other high emission sectors such as the transport sector→ e-mobility

State aid (control) in the area of e-mobility

- Support for EV charging infrastructure
- Tax exemptions for the purchase of EV cars
- Other support measures (production capacity, R&D, …)

State aid to EV charging infrastructure

- Illustrative case: Commission decision of 13.02.2017 in SA.46574 – Germany
- Interestingly, question of existence of state aid left open in this case
  - As the measure was deemed compatible in any event (different from SA.38769 (2015/N) – The Netherlands)
- Compatibility: assessed directly under the Treaty, on the basis of the "common principles" (balancing test):
  - Is the aid aimed at a well-defined objective of common interest?
    - Market failure identified: coordination failure (chicken-and-egg problem EV infrastructure vis-à-vis- EV cars)
  - Is the aid well designed?
    - Incentive effect/proportionality
  - Are the distortions of competition and the effect on trade sufficiently limited, so that the overall balance is positive?
    - Emphasis on the downstream market for recharging services. No mention of distortions vis-à-vis hydrogen (FCEV)

State aid in the form of tax exemptions for EV

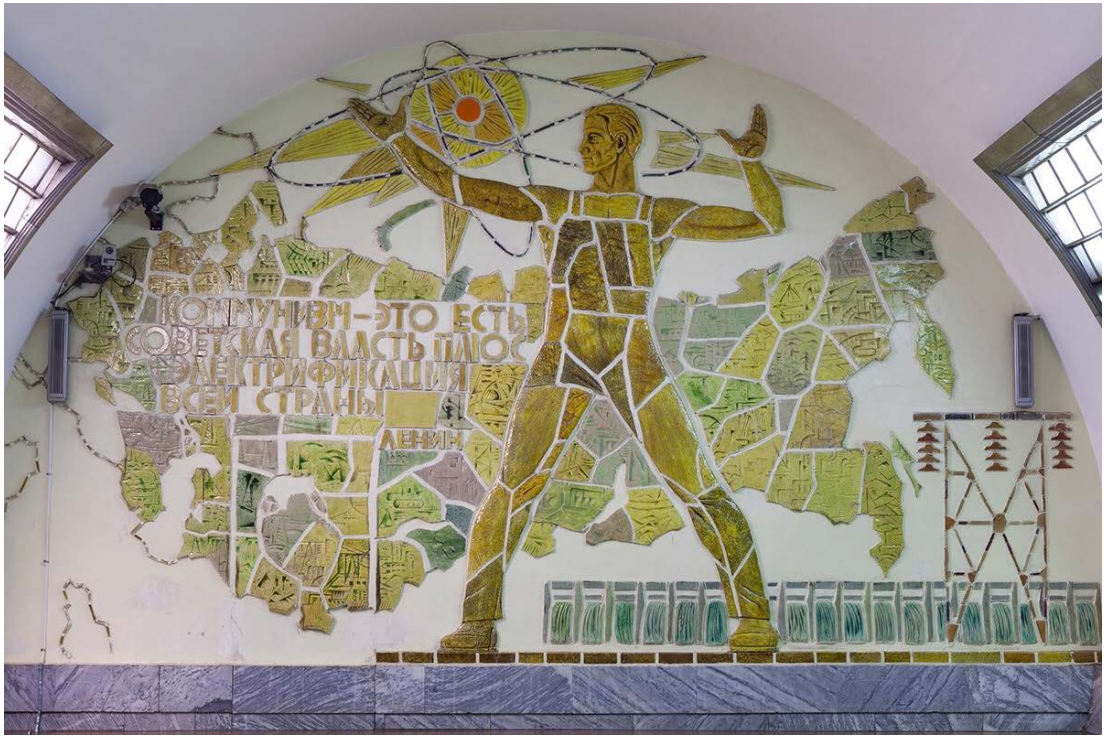
- Illustrative case: EFTA Decision on State aid measures in favour of electric vehicles (Norway), 21.04.2015
- State aid assessment w.r.t. two groups
  - Direct beneficiaries: deemed non-selective
  - Indirect beneficiaries (manufacturers): deemed selective
- Compatibility: assessed on the basis of the balancing test:
  - Is the aid aimed at a well-defined objective of common interest?
    - Market failure identified: negative externalities/pollution
  - Is the aid well designed?
  - Are the distortions of competition and the effect on trade sufficiently limited, so that the overall balance is positive?
    - Distortions vis-a-vis conventional fuel vehicles: “inherent to the very objective of the measures”. (Makes sense).
    - No mention of distortions vis-à-vis hydrogen (FCEV)

State aid for new EV production capacity

- Possible in principle, but (only) within the framework of regional aid guidelines (RAG), i.e. when it is also in line with the EU cohesion objective
  - Location in disadvantaged areas
- Illustrative case: Commission Decision of 09.07.2014 in BMW Leipzig; General Court judgement in T-671/14 (2017)
  - In relation to BMW's EUR 392 million investment in production capacity for the new BMW i3, i8
- Compatibility: balancing test (RAG/IDAC)
  - Is the aid aimed at a well-defined objective of common interest?
    - Cohesion objective
  - Is the aid well designed?
    - Only EUR 17 million (out of EUR 49 million) was approved. The rest was not identifiable as necessary to compensate the firm for the relative cost disadvantage of choosing Leipzig
  - Are the distortions of competition and the effect on trade sufficiently limited?
    - Yes, for the proportional amount of the aid

Conclusion

- The future is renewable power and the electrification of the whole country!



(parafrasing Lenin, 1920)

P.S. But what about hydrogen?!

Thank you!

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