State aid: Commission approves German support scheme for electricity self-suppliers using efficient cogeneration

Today’s Commission decision follows an agreement in principle reached on 7 May 2018 between Commissioner for Competition, Margrethe Vestager, and the German Minister for Economic Affairs and Energy, Peter Altmaier.

The German Renewable Energy Act (“Erneuerbare Energien Gesetz” – EEG) provides support for the production of renewable electricity. This support is financed through a surcharge, the ‘EEG-surcharge’, imposed since August 2014 on all electricity users, including users producing their own electricity (self-suppliers). Germany grants reductions to users generating their own electricity by using cogeneration, i.e. combined heat and power (CHP).

The Commission has assessed this support measure under EU State aid rules, in particular the 2014 Guidelines on State aid for environmental protection and energy. These rules allow support to cogeneration installations on condition that the support is necessary to trigger the investment and does not lead to overcompensation.

The German support scheme takes account of several criteria, which influence the self-supplier’s profitability: the electro-intensity of the sector in which they are active (in line with the Guidelines), the installed electrical capacity and the number of running hours of the installation. Based on these criteria, the scheme defines several categories of installations and grants an appropriate level of reduction in EEG surcharge.

For installations that entered into operation between August 2014 and December 2017, the Commission in 2014 approved an adjustment plan notified by Germany, ensuring an annual increase of the EEG surcharge until 2017. Under the measure approved today a transitional regime will apply for an additional year 2018, before the same surcharge mechanism applies as for all other installations, in line with the Guidelines.

On this basis, the Commission concluded that the German support scheme is designed to prevent overcompensation of self-suppliers using highly efficient cogeneration and is in line with EU State aid rules, while any distortion of competition caused by the public support is minimised.

Background

In 2014 the Commission approved under EU State aid rules the reductions for cogeneration installations used for self-supply of electricityfor a transitory period (until 31 December 2017), based on Germany’s commitment to re-notify the reductions for the period after 2018 and ensure their compliance with State aid rules.

The non-confidential version of the decision will be made available under the case number SA.49522 in the State Aid Register on the DG Competition website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

EU Agencies: Assisting policymakers navigate scientific uncertainty

The EU Agency Network for Scientific Advice (EU ANSA) comprises EU agencies that address a wide range of topics, from social to physical sciences. All agencies in the network collate and appraise scientific evidence, integrate current knowledge and communicate it in order to support evidence-based EU policymaking.

EU ANSA has published a report on how EU agencies assess and manage scientific uncertainty in the evidence base where empirical evidence is limited, or where full confidence in the available science to address policy needs is lacking. The report aims to provide a basis to identify common themes and issues, and stimulate further thinking about the definition, identification and communication of scientific uncertainty. The report seeks to ensure that policymakers better understand the strength of the evidence presented, and that resulting policy is made on the basis of fully informed choice. Clarifying uncertainty facilitates judgement and can also provide an understanding of the importance of knowledge gaps in relation to the topic; this understanding can then be used to prioritise future research.

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Enhancing the current macroprudential framework: EIOPA publishes the third paper of a series on systemic risk and macroprudential policy in the insurance sector

Today, the European Insurance and Occupational Pensions Authority (EIOPA) published the third in a series of papers with the aim of contributing to the debate on systemic risk and macroprudential policy. Until now, the debate has mainly focused on the banking sector due to its prominent role in the recent financial crisis. Through this series of papers, EIOPA will ensure that any further extension of the debate to the insurance sector fully reflects the industry's specific nature.

The third paper culminates the step-by-step approach followed by EIOPA. In the first paper entitled 'Systemic risk and macroprudential policy in insurance', EIOPA identified and analysed the sources of systemic risk in insurance and proposed a specific macroprudential framework for the sector.

In the second paper, 'Solvency II tools with macroprudential impact', EIOPA identified, classified and provided a preliminary assessment of the tools or measures already existing within the Solvency II framework, which could mitigate any of the systemic risk sources that were previously identified.

This third paper builds on and supplements the previous ones by carrying out an initial assessment of other potential tools or measures to be included in a macroprudential framework designed for insurers. EIOPA carried out an analysis focusing on four categories of tools:

1. Capital and reserving-based tools
2. Liquidity-based tools
3. Exposure-based tools

4. Pre-emptive planning

The paper focuses on whether a specific instrument should or should not be further considered. This is an important aspect in light of future work in the context of the Solvency II review. This initial assessment should be understood as a first step of the process and not yet as a formal proposal.

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