Environmental and Energy Aid Guidelines 2014 – 2020, 14 February 2014

FORATOM response to the European Commission DG Competition Consultation paper

The European Atomic Forum (FORATOM) is the Brussels-based trade association for the nuclear energy industry in Europe. The membership of FORATOM is made up of 16 national nuclear associations and through these associations, FORATOM represents nearly 800 European firms.

The European Commission has very recently presented its Green Paper on an EU Framework for climate and energy policies for 2030 which highlights the need for ensuring a competitive, secure and low carbon EU economy. Nuclear technology scores three out of three in the requirements to be met in the decades to come: nuclear energy is a well-established low carbon source of electricity, currently produced in 14 of the 28 EU Member States, and which provides over 1/3 of their electricity generation, and around 28% overall EU electricity generation.

However, more than 40% of the nuclear power generating capacity in the EU, representing almost 46GWe of net capacity, will reach 40 years of operation in the next 5 to 10 years. Unless there is a programme of new nuclear construction, coupled with long term operation of some of the existing nuclear power plants, the vital contribution of nuclear energy to energy security will be put at stake in the future as existing power stations come to the end of their economic lifetimes.

Comments

1. It is essential that there is **clear guidance** to prospective developers and to EU Member States regarding the application of State Aid Policy. In the field of energy in particular, the challenges are immense to meet the objective of providing secure, low carbon energy supplies in an affordable way. FORATOM shares Commissioner Almunia's declarations in December 2013 on the fact that "well-designed public support measures can make a key contribution to achieving the EU's energy and climate objectives for 2020 […] ensuring that […] companies and consumers have access to more affordable energy". Therefore **the EC's guidelines on state aid for environmental protection and energy should encompass all practical technologies** that can help **deliver the decarbonisation** of the EU economy as eligible for compatible aid, without defining specific technology preferences.

2. In order to enable EU's successful transition to a low carbon economy, it will need to make sure that **all options available are taken into consideration without discrimination**. These include measures **to increase** the efficiency of energy use, demand side management, and above all **low carbon generation**.

3. **A level playing field for all forms of low carbon technologies**, including nuclear energy, **needs to be achieved.** In this context, FORATOM encourages the EC to mention in particular that current support schemes for individual Renewable Energy Systems (RES) are expanded to **all low-carbon sources including also CCS and nuclear**, thus avoiding the sole promotion of a less competitive energy source. Moreover, a clear pathway for the **phasing out of subsidies** as new technologies become competitive should be decided.

4. It is clear that **the current market arrangements do not deliver the necessary signals** for long-term investment in low carbon technologies, especially nuclear. It is therefore required that EU decision-makers ensure that current market failures and bottlenecks for investment in the EU are identified, that existing financing instruments are reinforced and that new ones are allowed to be established. In this respect, nuclear power has the benefit of long operational life spans and limited exposure to fossil fuel market volatility.

5. While nuclear power can be operated flexibly, it is not designed to be switched on and off, and in order to be operated economically should be run as a base load provider. If nuclear is considered as a back-up for intermittent sources of energy, there should be a Capacity Mechanism able to compensate for the loss of income. We therefore support the inclusion of CMs in the guidelines.

6. It is essential **that the EU supports the safe use of nuclear power** by those Member States that decide to pursue this option. **Long-term contracts** between utilities and users, **co-investment** and other **risk-sharing models** can facilitate investment decisions in nuclear, while giving predictability for future electricity supplies.

7. Fundamental to ensuring a sound investment environment for low carbon technologies is **a long-term signal through the price of CO_2 that properly reflects externalities**. The ETS system could provide this, but only if there is a robust, long term carbon price resulting from this. We believe that the real environmental and economic **cost of carbon** is **not reflected by its current ETS price**, and carbon prices should be significantly higher than they are today.

8. There is also a close link between the **decarbonisation of the economy** and the **security of energy supply**, the latter being a specific aim identified in the preamble to the Euratom Treaty. Security of supply requirements fall into two categories: ensuring enough low carbon plant is built, and that there is enough capacity to meet demand at all times. It is critical that the market framework is able to support both objectives. FORATOM believes that **consumers will benefit from security of supply being explicitly recognised as an objective that qualifies for state aid**.

9. Special emphasis should also be given to the **need for ensuring that investments** - coming from the private and the public sector - **for further innovation in the nuclear sector are guaranteed**. In nuclear, demonstrators for new technologies are still needed in order to make sure that a technology can progress from being a concept through to being a commercial reality.

10. In general, the Guidelines need to be flexible enough to allow innovative proposals to be brought forward by Member States, industry and financial partners. At the same time they must be sufficiently clear so that outcomes are predictable, avoiding ambiguities and misinterpretations which would ultimately be a disincentive to investments and a source of undue discrimination.

11. If nuclear is not specifically addressed in the guidelines, it is important for the European Commission to state that it should not be interpreted as being excluded from support mechanisms.