10 December 2020, Brussels

FEAD feedback to the EC Roadmap on State aid for environmental protection and energy 2014-2020

FEAD, the European Waste Management Association, represents the private waste and resource management industry across Europe. Private waste management companies operate in 60% of municipal waste markets in Europe, and in 75% of industrial and commercial waste.

FEAD **welcomes** the initiative for the revision of the Energy and Environmental Aid Guidelines (EEAG). Following up on our feedback to the fitness check of the General Block Exemption Regulation (GBER), De minimis Regulation, Regional aid Guidelines, Research, Development and Innovation (RDI) Risk finance, and the EEAG, in 2019, we point out once again that we advocate for the increase of the notification threshold, while ensuring that state aid covers all activities of the circular economy. In particular:

1) Notification thresholds

The notification threshold of 15M Euros per environmental protection investment project as laid down by the General Block Exemption Regulation should be increased (article 4 of the GBER).

Indeed, regarding recent developments of waste management investments, the notification procedure has become burdensome, as it fails to consider new challenges faced every day by the waste management industry:

- **Bigger installations to be considered**. For instance, sorting plants tends to be bigger, in order to generate economies of scale.
- **The technologies used in our facilities are more expensive (optical systems, digital systems, sorting technologies, etc.)**
- **Multiple waste management facilities may combine different activities in one site** (sorting, composting, recycling installations, waste recovery installations, etc.)
- **Construction costs are higher** (nowadays construction of sorting plants is far more expensive than in the past) since the last revision of the GBER (2014).

Recommendation: **An increase of the threshold should be considered and analysed.**

2) State aid should cover all chains of the circular economy

Reaching the ambitious recycling targets will mean further and consequential investment in waste management facilities. Public support in investments in selective collection and in recycling facilities is particularly needed, in order to help the recycling chain and its

outcome, the secondary raw materials, to be competitive against virgin materials, and in recovery installations. In particular in Central and Eastern Europe, energy recovery installations need public support to be able to offer a service at sustainable costs for the citizens, since those installations are not able to recover the necessarily high investment costs through revenues alone.

Each type of waste must be treated according to the Waste Hierarchy (Directive 2008/98). Prevention, Re-use, or Recycling of waste is, by order of priority, the way forward to achieve a circular economy. **All activities of the circular economy should be eligible for state aid when aligned with the waste hierarchy.** As the recycling chain results in a certain amount of residual waste which cannot be recycled after collection and sorting, or as there are waste flows that are initially not recyclable (e.g.: waste containing substances of concern), the energy content of such non-recyclable waste or residues can be used in Waste-to-Energy processes, including Solid Recovered Fuels (SRF).

Regarding Waste-to-Energy, heat recovery from non-recyclable waste should remain eligible for state aid

Recommendation: **The following should remain eligible for state aid:**

- **all waste management activities, when aligned with the waste hierarchy, as stated in chapter 3.3.5 of the EEAG, whether material-based** (e.g. recycling, composting) **or energy-based** (R1 Waste-to-Energy installations, SRF sector, methanisation)**,**
- **energy from renewable sources using waste**, including waste heat, as input fuel, provided that it is in line with the principle of waste hierarchy (paragraph 118 of the EEAG);
- **anticipating adaptation of waste management installations to new legal technical requirements (e.g. new BREFs).**

State aid can make a positive contribution to environmental protection in all the above cases.

Furthermore, taking into account the call for contributions to the "**Competition Policy supporting the Green Deal**", FEAD would like to make the following remarks on questions 3 and 4 of part 1 on state aid control:

Question 3: *If you consider that more State aid to support environmental objectives should be allowed, what are your ideas on how that should be done?*
a. Should this take the form of allowing more aid (or aid on easier terms) for environmentally beneficial projects than for comparable projects which do not bring the same benefits ("green bonus")? If so, how should this green bonus be defined?
b. Which criteria should inform the assessment of a green bonus? Could you give concrete examples where, in your view, a green bonus would be justified, compared to examples where it would not be justified? Please provide reasons explaining your choice.

The European Union is considering stepping up its ambition for CO2 emissions reduction in 2030 to a higher level, with a 55% target being currently under discussion. In order to deliver on this enhanced ambition, stronger actions are needed both in the field of energy efficiency and of renewable energy deployment. State Aid is one of the main policies to allow this shift, by improving the economic viability of projects.

We therefore recommend revising State Aid principles to fully take into consideration the contribution of the **entire waste management chain** to the goals of emissions' reduction, and - in the long run - of climate neutrality.

Waste management causes a significant reduction of CO_2 emissions **by producing secondary raw materials** used in manufacturing that helps to **minimise resource consumption,** and by **utilising the energy content of residual, non-recyclable waste** to produce heat/electricity. The recovery/recycling process from waste avoids the emissions that would have otherwise been used in extracting and manufacturing raw materials. Waste-to-energy processes avoid the use of fossil fuels and thus significant CO_2 emissions, and ultimately, using environmentally sound disposal ensures the safe treatment of residues that cannot be otherwise recycled or recovered.

Currently, half of greenhouse emissions result from resource extraction and processing[1]. Strong recycling policies leading to significant savings in resources and energy, while avoiding CO_2 emissions, can make a significant difference along a product value chain. Favouring recycled materials over raw materials **is the best way** to do this. As a matter of fact, the carbon footprint of recycled PET is 90 % less than its virgin counterpart, for textiles it is 98%, for steal up to 85%, aluminium 92%, paper 18%[2]. As a major accessory for ambitious recycling targets, Waste-to-Energy has a part to play by avoiding CO2 emissions[3] for non-recyclable and residual waste.

The entire waste management chain avoids emissions in much larger quantities than it produces. A more ambitious regulatory framework to boost recycling and recovery, as proposed by the EU Green Deal, would foster a positive contribution by this sector and help deliver the decarbonisation of the European Union and create a more circular economy.

As far as CO_2 emissions are concerned, it is crucial to address the waste management sector as a whole, to reflect the need for an integrated approach-based waste management, to fully take into consideration the waste hierarchy, and to privilege the most efficient regulatory instruments to address the still untapped potential of recycling and recovery.

Increased CO_2 emission reduction can be achieved by a set of relevant national measures incentivising waste treatments high up the Waste Hierarchy: regulations, taxation, and public support for investment in selective collection, recycling facilities, and recovery of residual waste. **State aid should be part of this framework of measures.**

[1] European Commission (2019). "Communication on the European Green Deal", p.22.
[2] According to the Bureau of International Recycling (BIR).
[3] https://www.cewep.eu/wp-content/uploads/2019/05/Peer-Review_waste-treatment-need-in-2035.pdf

Consequently, a **green bonus** should be foreseen in the revised State Aid rules for the activities of the waste management sector, which are energy efficient and protect the environment.

Question 4: *How should we define positive environmental benefits? a. Should it be by reference to the EU taxonomy and, if yes, should it be by reference to all sustainability criteria of the EU taxonomy? Or would any kind of environmental benefit be sufficient?*

State Aid rules should be aligned with the entirety of EU climate related policies, and not just the EU Taxonomy. That means that actions contributing to GHG reduction, whether through energy consumption reduction, or through the development of renewable energies, or through the minimisation of resource and raw materials' extraction and use, should generally benefit from the appropriate support. Considering that the circular economy has a crucial role to play in the fight against climate change, **the whole waste value chain should be positively taken into account while discussing investments in "green activities", since each link of the chain is indispensable to the final result, namely saving CO2 and materials**.

The EU Sustainable Investment Regulation sets out some general criteria for determining the sustainability of activities, as a basis for a detailed description of the green activities and the creation of a unified classification system, the Taxonomy. However, until today, it is not clear whether waste-to-energy is included in those activities, even though its contribution to the circular economy is certain.

Energy recovery represents the best environmental option for closing the loop in the circular economy, as far as non-recyclable, residual waste is concerned. It also avoids the use of fossil fuels in the production of heat and electricity. Waste-to-Energy (R1 criterion installations) should be considered a sustainable economic activity under the EU Sustainable Investment Regulation and the Taxonomy.

Despite of whether the Taxonomy includes or not waste-to-energy (R1) under its scope for environmentally sustainable activities, the revised State Aid rules, should **not** use as reference solely the Taxonomy.

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