



# General Block Exemption Regulation

T&E's response to the public consultation

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## 1. Introduction

The General Block Exemption [Regulation](#), which regulates state aid not covered by the Climate, Energy and Environmental Aid Guidelines (CEEAG) is currently being revised by the European Commission (EC). T&E welcomes the [draft text](#) opened to consultation by the EC. In this paper, we provide some ideas on how to further improve this version of the document to make sure it is aligned with the goal to decarbonise transport by 2050.

## 2. Road transport

In the current version, Investment aid for the acquisition of clean vehicles or zero-emission vehicles is dealt with under Article 36b. The proposed text does not differentiate between clean vehicles and zero-emissions vehicles, which would include zero emission vehicles such as battery electric and hydrogen, as well as low emissions vehicles such as plug-in hybrids. Due to vehicle design (e.g. less powerful electric motor that has to rely on a petrol engine to operate) and lack of incentives to charge, real-world CO<sub>2</sub> emissions of plug-in hybrid vehicles are on average 2-4 times [higher](#) than their official low CO<sub>2</sub> ratings. In the case of SUV-body PHEVs, when driven on an engine, the CO<sub>2</sub> can even be [higher](#) than from comparable conventional models.

PHEVs are therefore not a low emission vehicle in real-world use and put at risk the climate integrity of Europe's transport policy. For this reason, many governments including the UK, the Netherlands and more recently Ireland have reduced or removed completely subsidies these vehicles are eligible for. Also the EU Taxonomy Regulation only allows zero emission vehicles to be counted as "green investment" from 2025 onwards. EU's GBER - and broader state aid - rules should be aligned as a minimum with the ambition of the EU Taxonomy and only allow exemptions for the investment aid for the acquisition of zero emission vehicles. Therefore, the text "at least partially" in Article 36b should be removed and clean vehicles removed from the scope of the regulation.

In summary, the GBER should exclude so-called clean vehicles and focus exclusively on zero-emission vehicles. Only zero-emission vehicles should be eligible under the GBER.

### 3. Maritime Transport

The review of the GBER is a missed opportunity to change the definition of alternative fuel infrastructure for ports (article 2, paragraph (161)). That definition currently includes natural gas and other fossil fuels (CNG, LNG and LPG).

The GBER even goes as far as saying that these fuels “have the potential to contribute to its decarbonisation and enhance the environmental performance of the transport sector”. That is simply untrue, as shown time after time by international organizations such as the [World Bank](#). They specifically asked countries to “avoid new public policy that supports LNG as a bunker fuel, reconsider existing policy support, and continue to regulate methane emissions to put shipping on a Paris-aligned GHG emissions trajectory”. The International Energy Agency also does not see a role for LNG in shipping in the long-term, and very limited in a transitional phase. In its [Net-Zero Emission scenario](#), the IEA considers ammonia to be the most promising fuel to decarbonise shipping, accounting for over 40% of the mix by 2050. In 2030 already, ammonia and hydrogen should account for 10% of the mix, whereas the LNG share is almost nonexistent.

For these reasons, T&E calls on the Commission to change the rules to make sure that Member States stop subsidising infrastructure that will be used to further promote natural gas in shipping, a fossil fuel that has no future in shipping decarbonisation.

In addition, exemptions to state aid rules should only be granted to subsidise zero-emission vessels, in accordance with the EU Taxonomy Regulation and the related Delegated Act on Climate Mitigation that only allow zero emission vessels to be counted as “green investment” from 2025 onwards. EU’s GBER - and broader state aid - rules should be aligned as a minimum with the ambition of the EU Taxonomy and only allow exemptions for the investment aid for the purchase, financing, chartering and operation of zero emission vessels. For example, the proposed standard for inland freight vessels would result in more emissions than existing efficient diesel barges. [CE Delft](#) average efficiency factor for the medium-weight bulk and container category of the largest type (large Rhine vessel) is 14 and 15 gCO<sub>2</sub>e/tkm; and preliminary certification data from [ACEA](#) for HDVs subgroup 5-LH indicates average reference emissions of 56.5 gCO<sub>2</sub>/tkm. Therefore, article 102f defining clean vehicles should be removed from the scope of the regulation.

### 4. Fuels

The current version proposed by the Commission differentiates in the definitions between low-carbon hydrogen (produced from fossil fuels) and renewable hydrogen. However, throughout the document, they are both considered equal and there is no differentiation.

Low-carbon hydrogen should not receive the policy and state aid support as renewable hydrogen, produced via electrolysis from additional renewable electricity generation. There are both economic and environmental reasons for this. The spike in gas prices in the fall of 2021 has already made green

hydrogen cheaper than the cheapest and most carbon-intensive form of grey hydrogen (produced via steam methane reforming of fossil gas without any carbon capture and sequestration).<sup>1</sup> By focusing on green hydrogen, the EU also avoids the price volatility, inherently linked to fossil fuels markets and geopolitical tensions. At her remarks at the Hydrogen Forum, Commission president Von der Leyen committed the EU to a target of bringing the cost of green hydrogen below EUR 1.8 per kilo by 2030, which would be as cheap as grey hydrogen produced with cheap fossil gas.<sup>2</sup> From an environmental perspective, the climate benefits of so-called lower-carbon 'blue' hydrogen (same production as grey hydrogen, but combined with Carbon Capture and Storage) depend on two key parameters: The level of fugitive methane emissions throughout the fossil gas supply chain and the effectiveness of Carbon Capture and Storage at permanently storing CO<sub>2</sub>. The issue of fugitive methane is particularly problematic: Because methane is a very powerful greenhouse gas especially over a 20 years time frame, even small leaks can cancel out all the climate benefits from using 'blue' hydrogen. The oil and gas industry has not managed to address fugitive methane over the last 30 years; it remains highly uncertain that the issue will be resolved by 2030.

For these reasons, the GBER should delete all references to low-carbon hydrogen and only refer to renewable hydrogen.

Regarding biofuels, the text open to consultation is a very good step in the right direction. The fact that state aid under the GBER will be limited only to biofuels produced from feedstocks included under Part A of Annex IX of the Renewable Energy Directive is welcomed by T&E.

However, Part A of Annex IX is not perfect. Many feedstocks listed in Annex IX have existing uses which impacts their availability for energy uses. Based on the principles of the [waste hierarchy](#) and cascading use, the use of certain feedstocks for biofuels should not be incentivized by the GBER. For example, Crude Tall Oil (CTO) is a by-product of the pulp & paper industry, already used to produce paints, detergents, etc. Its use for biofuels would lead to these industries being forced to revert to fossil or virgin vegetable oils as feedstocks, consequently leading to higher emissions in these [sectors](#). Hopefully, during the current review of the RED, Part A of Annex IX will be improved in order to make sure that the GBER only supports truly sustainable feedstocks.

## Further information

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<sup>1</sup> In the fall of 2021, gas prices at European hubs were just below EUR 100/ MWh, which translates into about EUR 6/kg of grey hydrogen. Over the last 2-3 years, European gas prices were sitting just below EUR 20/MWh and grey hydrogen cost EUR 1,5/kg. Depending on the location/renewables potential, the production cost of green hydrogen varies widely, but the median cost of green H<sub>2</sub> today would be around \$3.5/kg.

<sup>2</sup> Opening keynote by President von der Leyen at the European Hydrogen Week 2021, retrieved from [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_21\\_6421](https://ec.europa.eu/commission/presscorner/detail/en/speech_21_6421)