PRESS RELEASE
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State Aid and climate change: when good ideas go bad...

As part of an attempt to modernise the legal frameworks for State Aid, the European Commission is currently discussing its State Aid guidelines for environmental protection. Changes made to State Aid legislation last year that permit Member States to subsidise the EU’s worst polluters are not, however, on the agenda. Following on from its briefing, “Subsidising Climate Change: How industry uses the EU ETS to manipulate State Aid rules for their own profit” (link), FERN is today releasing a presentation outlining how State Aid is being used to fund climate change (link).

The EU Emissions Trading System (EU ETS) is meant to regulate the emissions of a number of sectors, including the power sector. In theory, this is done by setting a cap on emissions and selling ‘carbon permits’ to companies whose emissions are capped, thereby making polluting expensive. In practice, companies have been given these permits for free, so many permits in fact, that they have been able to carry on with business as usual, cover their own emissions and then sell excess credits on, pulling in billions of Euros in extra profit.

In January 2013, this was all meant to change when the power sector had to start buying all its carbon permits. Despite the low cost of carbon, companies argued that this might push their power prices up, and negotiated new State Aid rules to receive money to cushion the claimed increase. This negates the very logic of the EU ETS (to use price signals to encourage companies to reduce emissions). On top of that, now State Aid rules intended to allow Member States to bring in environmental legislation are being used to pay off the worst polluters.

To solve the climate crisis, major public investment and subsidies will be required to ensure energy needs are met through reduced consumption, efficiency measures and renewable power, but using State Aid to subsidise polluting industries that may be affected by the EU ETS achieves none of that. State Aid must be reserved for truly sustainable purposes, not to prop up big polluting businesses.

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