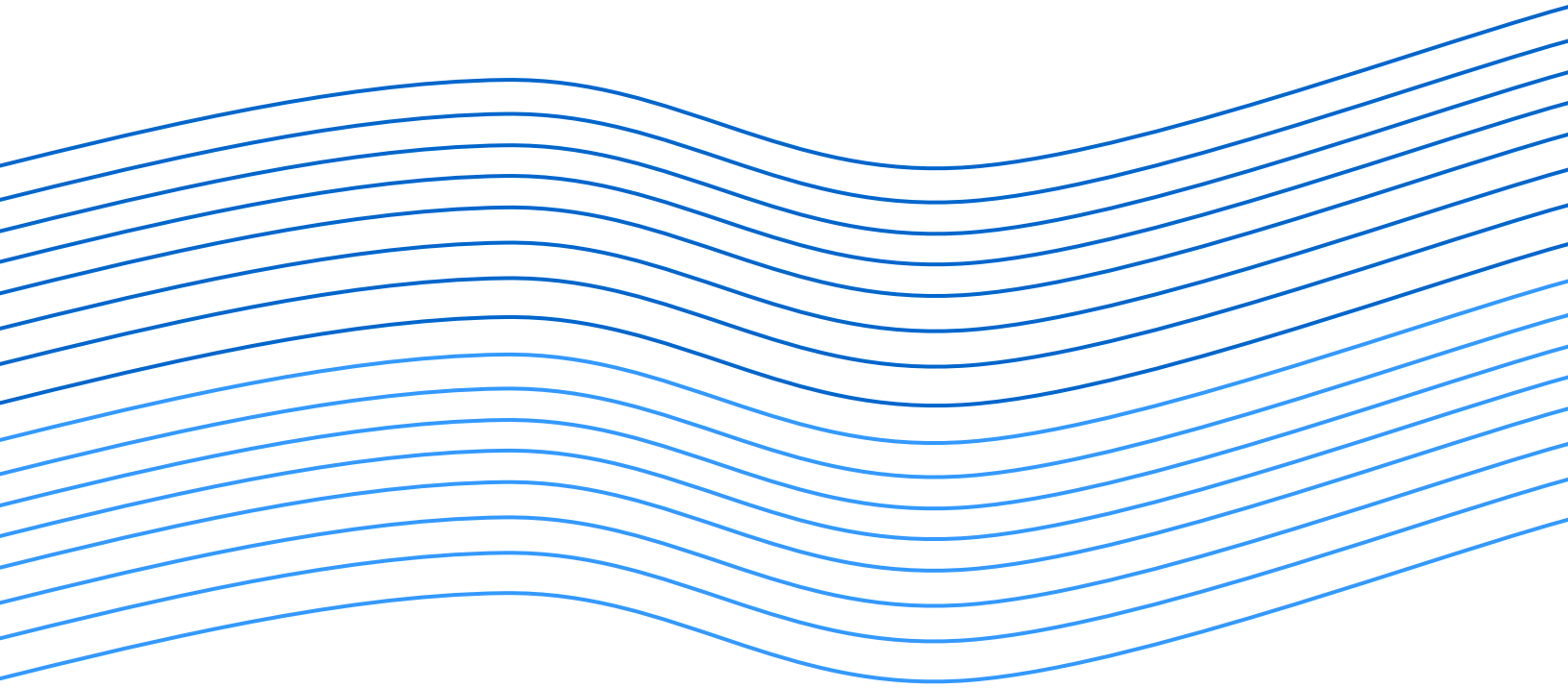
X-Raying CISAF after its adoption:

Key Opportunities, Amendments, Strengths and Limitations

in the New Accelerator of EU Industrial Decarbonisation



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1. Unfolding CISAF - Key Takeaways

1.1. The New Framework in a Nutshell

The CISAF is one of the **building blocks of the Clean Industrial Deal** (CID), an ambitious policy agenda presented by the European Commission in February 2025, which aims to **strengthen the competitiveness of the EU industry, while accelerating its decarbonization.**

Intending to deliver on the CID objectives, the new state aid framework was **adopted on 25 June 2025**, following a 6-week public consultation on a draft proposal, which was launched by the European Commission on 11 March. More than 500 responses were submitted, raising diverse views on a well-structured, detailed questionnaire on the draft CISAF, along with insightful suggestions and additional, supplementary material.

Overall, the CISAF emphasizes that massive green investments need to be spurred across the European Union, **mobilizing funds mainly from private sources, but also incentivizing or complementing them with public funds, where necessary.**

Support from Member States can be channeled through **various instruments, such as direct grants, tax benefits, subsidized interest rates on new loans, or loan guarantees**. The new rules will have a permanent nature, substituting the Temporary Crisis and Transition Framework (TCTF), and apply until 31 December 2030.

More specifically, the main objective of the CISAF is to boost investments in green energy, clean technology and industrial decarbonization, by **enabling faster State aid, deployed with fair, efficient and transparent terms.** The new framework envisages to overcome investment gaps, while crowding in private investment.

In this context, the CISAF simplifies the State aid rules in five key areas:

- Roll-out of **renewable energy** and **low-carbon fuels**
- Temporary **electricity price relief for energy-intensive users**
- **Decarbonization** of existing production facilities
- Development of **clean tech manufacturing capacity** in the EU, and
- **De-risking of investments** in clean energy, decarbonization, clean tech manufacturing, energy infrastructure and projects supporting the circular economy.

1.2. A Legal Revolution: Fast-track compatibility assessment

The CISAF simplifies the compatibility assessment of state aid measures, by making use of presumptions. This means that **aid measures** falling within its scope and **complying with all the conditions set out in the applicable sections are presumed, by default, to have incentive effect and to be necessary, appropriate and proportionate** to support the development of the relevant activities.

In addition, their positive effects are deemed to outweigh their negative effects on competition and trade. The compatibility conditions outlined in the CISAF are based on the Commission's case practice and relevant experience gathered by the Commission from the application of the TCTF.

1.3. Unveiling State aid: Background Essentials

In particular, CISAF **simplifies the compatibility assessment** under Article 107(3), point (c) of the Treaty on the Functioning of the European Union (TFEU). Under this provision, an aid measure must satisfy two conditions: (i) that it must be intended to facilitate the development of certain economic activities (**positive condition**) and (ii) that it must not adversely affect trading conditions to an extent contrary to the common interest (**negative condition**).

The **positive condition** requires Member States to identify an economic activity that will be facilitated by the aid measure, as well as the societal benefits of developing that activity (including, where applicable, its relevance to specific EU policies). The Member State must also demonstrate the **incentive effect** of the aid. Aid is considered to have no incentive effect if it supports the costs of an activity that the beneficiary would anyhow have carried out in the absence of aid, or if it only compensates for the normal business risk of an activity.

The **negative condition** requires the Member State to demonstrate that the aid is necessary, appropriate, proportionate, and transparent and **has no undue negative effects on competition and trade.**

Having analyzed these conditions, the final step is to **weigh the identified negative effects of the aid measure** on competition and trading conditions **against the positive effects** of the planned aid on the supported economic activities, taking into account any contribution to environmental protection and the objectives of energy policy (**balancing test**).

Section 3 of the CISAF outlines **general compatibility conditions**. For instance, it states that an incentive effect can normally only be presumed if the beneficiary submits a written aid application to the competent authorities **before starting work on the project or activity**.

However, **aid can also be considered to have an incentive effect even if the start of work occurred before the submission of the aid application, if two cumulative criteria are met**:

(i) The aid is **granted automatically** in accordance with objective, non-discriminatory and non-discretionary criteria, and

(ii) The measure has been adopted and is **in force before work on the project** or activity begins.

To avoid a subsidy race between Member States, **aid granted under the CISAF cannot be conditional on the relocation of an activity** of the beneficiary to the country granting the aid from another EEA country.

1.4. Investment Focus Areas - Key Elements

Sections 4 through 8 of the CISAF set out the compatibility conditions for aid in each of the following key areas:

(i) Accelerating the deployment of clean energy

The CISAF aims to fast-track the green transition by allowing for **easier and quicker approval of support for clean energy projects through simplified procedures**. The new framework covers support for both **renewable energy** and **low-carbon fuels**, which the Commission considers important to reduce emissions in hard-to-decarbonize industries such as the transport sector.

The aid may take the form of investment aid or direct price support schemes (such as contracts for difference or feed-in premiums). For renewables, where aid is granted in the form of **two-way contracts for difference**, the competent independent regulatory authority must set the strike price.

The aid may be granted through a **competitive bidding process** or, barring some exceptions, **administratively**. Competitive bidding aid must reflect auction outcomes without exceeding 100% of eligible costs. Administrative aid is capped at **45% of eligible costs,** with a bonus of **20 percentage points for small enterprises** and **10 percentage points for medium-sized enterprises.**

In addition, Member States must ensure compliance with the "**Do no significant harm**" (DNSH) **principle**, to ensure that the aided activities, despite making a substantial contribution to climate objectives, do not have a significant adverse impact on other environmental or social objectives.

(ii) Stimulating non-fossil flexibility

Another category regarding energy aid is **non-fossil flexibility support**, **which involves mainly storage and demand-response, but also behind-the-meter resources, allowing for aggregation.** Eligible investments include building new flexible capacity, increasing flexibility or installed power of existing capacity, extending operational lifetimes of existing capacity, and **converting flexible generation assets from fossil to non-fossil energy sources.**

The measure is approved for a period of no longer than 5 years and the target quantity is based on the **national study on flexibility needs**, conducted under EU standards. In order to provide efficient incentives to adjust consumption to price signals, consumers that contribute to creating the flexibility need are **required to cover at least 90% of the incurred cost.**

(iii) Fostering adequacy of energy resources

The CISAF also defines a "target model" for **capacity mechanisms** whereby Member States pay electricity generators to **maintain standby capacity**. Such mechanisms are necessary to ensure reliable supply to end users, as the share of intermittent renewables is rapidly increasing, creating challenges for energy security and grid stability.

Capacity mechanisms that comply with all the criteria of either of two target models proposed – namely, **strategic reserve** or **market-wide central buyer mechanism** – as set out in Annex I to the CISAF, will qualify for fast-track approval, provided the aid measure is approved for a period of **no more than 10 years**.

To justify the need for the introduction of a capacity mechanism, **an EU-level adequacy assessment** conducted by ENTSO-E (the European Resource Adequacy Assessment) and approved by ACER, **must signal that the reliability standard is not met**, at least for the first delivery window within the approval period.

(iv) Mitigating the electricity cost for energy-intensive users

The CISAF enables Member States to provide temporary electricity price relief for energy-intensive industries, to **reduce operating costs** and make them more competitive on global markets. Only companies in sectors that are **particularly exposed to international trade are eligible**. Eligible sectors include mining and quarrying, chemical and heavy manufacturing industries, textile, wood and paper industries, food and beverage processing.

The CISAF covers price support in the form of reductions from the wholesale price for a certain share of electricity consumption. Other forms of aid must be assessed under the 2022 Climate, Environmental protection and Energy Aid Guidelines (CEEAG).

In particular, the Commission will consider the aid proportionate if it covers **at most a reduction of 50% of the yearly average wholesale market price** in the bidding zone in which the beneficiary is connected, for **not more than 50% of their annual electricity consumption.** Moreover, such reductions **must not result in a reduced price below 50 EUR/MWh** for the eligible consumption, and the aid **cannot exceed 3 years**.

In return for receiving price support, companies must **re-invest half of the amount** in decarbonization measures, such as renewables, storage, demand response, electrolysers, or efficiency upgrades.

(v) Driving decarbonization or energy efficiency of existing production facilities

The new framework allows for support for a wide array of decarbonization technologies, such as **electrification, hydrogen, biomass, carbon capture and storage.** The CISAF defines minimum decarbonization targets and sets maximum aid limits.

In particular, in order to receive state aid, **in the case of already decarbonised processes, energy consumption per unit must be reduced by at least 10%. For all other processes, the reduction must be at least 20%.** Overall, projects must result in actual emission reductions and not simply shift emissions elsewhere.

For investments related to biofuels, hydrogen, and biomass fuels, Member States must ensure that **the supported fuels comply with the sustainability and greenhouse gas reduction criteria** set out in the Renewable Energy Directive II (RED II).

The aid limits are determined based on pre-defined **maximum aid intensities** (e.g. 45% for investments in the production of renewable energy or in carbon capture) or a **funding gap.** The method based on maximum aid intensities can only be used for aid amounts **up**

to EUR 200 million. Alternatively, Member States may determine the maximum aid amount by a **competitive bidding process**, subject to additional conditions.

(vi) Boosting clean tech manufacturing

The CISAF allows Member States to support investments in new manufacturing capacity for all technologies covered by the **Net-Zero Industry Act,** in the form of schemes, as well as other investment projects in clean technologies on an individual basis, where it is needed to **prevent such investments from being diverted away from Europe**.

Eligible projects may concern investments in **manufacturing of final products or components or the production and processing of critical raw materials** necessary for clean technologies. Here too, the CISAF sets maximum aid intensities, with projects in less advantaged regions benefiting from higher aid ceilings.

In addition, the framework allows Member States to stimulate demand for clean technology products by offering **tax incentives**, such as accelerated depreciation of investments.

(vii) De-risking private investments

Member States can take measures to stimulate private investments in projects supporting the Clean Industrial Deal, including not only clean energy, decarbonization and clean tech manufacturing, but **also energy infrastructure and the circular economy.**

Such measures must ensure **additionality**, meaning that through reducing the risks associated with the investment they crowd in private investors that otherwise would not have invested in the same type of projects. Support may take the form of equity, loans and/or guarantees. The aid schemes can be channeled through **dedicated funds or SPVs that will hold the portfolio of eligible projects,** with strict safeguards and risk-sharing mechanisms.

Finally, Section 9 of the CISAF sets out some **transparency and reporting requirements** that Member States must comply with.

2. An Assessment of CISAF - Strengths and Limitations

2.1. What makes CISAF powerful? Innovative elements

1. A Blueprint for Support Schemes. By streamlining state aid rules and providing ready-to-implement templates, the CISAF enables faster, more predictable support for Europe's green transition and industrial decarbonisation. Lengthy approval processes for support schemes are avoided, and even the requirement for a public consultation is removed.

2. A Fairly Open Approach. The CISAF provides much-needed regulatory clarity and extends significant support instruments over a wide spectrum of decabonisation options and clean tech manufacturing.

3. A More Pragmatic View towards Natural Gas. While not fully aligned with the principle of technology neutrality, the adopted version of CISAF removes some of the rigid restrictions imposed on gas-related investments under the initial proposal. In particularly, Member States are allowed to introduce schemes which **incentivize investment in new gas-based capacity in the absence of alternatives.** However, there is still a restrictive requirement to **phase out natural gas by 2040**.

4. A Bridge with Investment Realities. In general, the framework allows for **higher aid ceilings (notably for hydrogen and clean tech manufacturing),** flexible funding schemes, and more realistic completion deadlines (compared to the draft CISAF), hence mitigating obstacles that hinder investments.

5. Tailored Support: The CISAF allows for a set of **different options** according to project characteristics. Aid can be based on predefined amounts, funding gaps, or competitive bidding processes. It also permits more support for projects in less advantaged regions, promoting cohesion and reducing regional discrepancies.

6. Cumulation Rules. The CISAF enables **the combination of state aid with EU-level funding** (Innovation Fund, IPCEI, CEF, R&D instruments) or deminimis aid, provided technical conditions are met. More specifically, while support may concern the same or overlapping eligible costs, the total aid should not exceed the highest intensity or applicable amount. By allowing cumulation, CISAF **enables capital intensive, large-scale projects** to be implemented.

7. Tax incentives. CISAF allows for the **accelerated depreciation** of clean tech equipment **both for the manufacturers and the end users**, incentivizing purchase and leasing

schemes (e.g. for batteries, EV chargers, heat pumps, energy-efficient machinery). As **companies can deduct the full cost of eligible investments faster or even immediately**, in the year of purchase or lease, this reduces initial tax liabilities, improving cash flow and lowering barriers to green investments. In addition, CISAF permits **tax measures to be combined with other state aid or EU funds** without requiring a gross grant equivalent calculation.

8. Targeted Tax Credits. Direct reductions in corporate tax liabilities create a strong incentive for investments. Under CISAF, tax credits for projects are capped at a specific amount per project, and subject to maximum aid intensities. Where feasible, Member States are encouraged to make the **tax credits refundable or allow them to be offset against other national taxes**. For example, projects in assisted areas may qualify for higher support.

9. Global Focus. The CISAF deters investments from being implemented outside the EU, by **matching the aid provided by third countries**, although with a cap. The caps applicable to the matching aid mechanism have been increased in the adopted version of the CISAF compared to the draft proposal. Ideally, the cap should have been abandoned as, if the aid is really matching, there is no reason to impose a cap.

10. Attracting New Investor Classes. The CISAF allows Member States to introduce de-risking measures, which are relevant to **risk-averse investors** (like pension funds, foundations, business angels and family offices), but also banks and insurance companies. This approach extends financing resources well beyond existing actors.

11. Innovation Boost. Projects receiving a **"Sovereignty Seal"** under the Innovation Fund, even if not selected for funding, may now **benefit from national support schemes**. This facilitates implementation of future-proof decarbonization solutions.

12. Bolstering Hydrogen. For the hydrogen sector, the entire value chain is now in scope, spanning from electrolysers and storage, to hydrogen-ready direct reduction reactors. The adopted framework is also accommodating of low-carbon hydrogen, including that produced from fossil fuels with CCS. Still, a clear priority is maintained for renewable hydrogen, setting the requirement for **at least 30% of support to go to green hydrogen** as a safeguard. **Aid ceilings have also increased** to 100% of eligible costs for RFNBO production via competitive bidding and to 60% for industrial hydrogen use when at least 40% per cent of the mix is renewable.

13. Quick Wins. Direct electrification is often the **fastest and most efficient way to decarbonise industrial heat** processes up to 500°C. These processes can run on proven technologies like electric boilers and thermal energy storage. The CISAF recognizes this, setting clear priorities, while not excluding other possibilities.

14. Restoring Storage as a Key Decarbonization Enabler. The CISAF stimulates storage **participation across all market segments and introduces flexibility reward schemes**, hence counteracting regulatory barriers for its deployment. Energy storage is fundamental for climate and energy security objectives, by shifting excess electricity supply to periods of low generation, reducing curtailments, stabilizing the grid and reducing reliance on fossil-based backup. Notably, by 2040, renewable energy curtailments may reach 310 TWh on an annual basis due to grid bottlenecks or lack of demand at the time of generation, amounting to an annual economic cost of more than €23 billion.

15. Empowering Repowering. The CISAF foresees support for repowering projects, including dismantling costs. This aspect is crucial to achieve 2030 renewable targets, as on average, repowering reduces the number of turbines by 25%, while **quadrupling the output per wind turbine.**

16. Grids Overhaul. The CISAF incentivizes **investments in the supply chain of grid equipment**. **Grid upgrading** will also benefit from its fast-track procedures. As the expansion of renewables hinges on accelerated grid buildout, these elements are crucial. Notably, the Grids Action Plan estimates the need for electricity grid investments to reach 584 billion EUR by 2030, while a recent report from the European Commission estimates **1202 billion EUR at the 2040 horizon**.

17. Broad Definition of eligible costs in clean tech manufacturing. Eligible costs include **all tangible and intangible investments** necessary for producing or recovering the relevant goods, such as land, buildings, equipment, intellectual property, licenses, and know-how. Intangible assets must meet specific conditions.

18. Convergence of Capacity Mechanisms. CISAF intends to harmonise capacity mechanism designs and speed up approvals. Today, capacity mechanisms across the EU are fragmented, as **one-third involve capacity markets, one-third strategic reserves, and one-third energy-only markets**. Notably, in 2024, capacity markets secured 1.793 GW, with a third of payments directed to clean and storage technologies. Member states should retain flexibility in selecting the most appropriate mechanism based on national energy mixes and system needs.

19. Linking Duration of Capacity Contracts to Capex. This new approach is reducing investor uncertainty, while differentiating projects in transparent and proportionate terms. In general, capacity agreements must cover a delivery period of one year, at most. Nevertheless, longer capacity agreements may be available when beneficiaries undertake capital investments. In particular, a new, simple rule is introduced: **For every 25,000 EUR / de-rated MW, an additional year may be offered**. For example, beneficiaries investing 50,000 EUR / de-rated MW may be offered contracts of up to 2 years, while those investing 250,000 EUR / de-rated MW may get contracts of up to 10 years. Nevertheless, fossil-fueled generation assets may **never be granted capacity agreements exceeding 15 years.**

3. CISAF Limitations and Weaknesses

1. Lack of Direct EU Funding. The CISAF does not provide direct budget allocations from Brussels. Instead, it enables Member States to mobilize national resources. This means the actual impact depends heavily on national governments' priorities and fiscal space.

2. Uneven National Implementation. A significant concern is the potential for uneven implementation among Member States. Countries with higher national budgets may be able to offer substantially more generous subsidies, negatively impacting competitiveness for smaller or less affluent nations.

3. Global Subsidy Race. The CISAF operates in a global context where other major economies (such as the US, with the Inflation Reduction Act) are also offering significant subsidies for clean technologies as well as massively simplified procedures. The level of support under CISAF might still be insufficient to create a level playing field, potentially leading to investment diversion.

4. Exclusion of Output-Based Production Support. The CISAF generally rules out output-based production support by Member States, an approach underpinning the IRA and successfully applied in the US. This may sustain a critical gap for projects in their ramp-up phase, especially in sectors like batteries, which face high operating costs and market uncertainty.

5. Complexity and Overlap. The framework's layered conditions, multiple exceptions, and overlap with other State aid instruments (like the Climate, Environmental protection and Energy Aid Guidelines and the General Block Exemption Regulation) can make it complex to navigate for stakeholders.

6. Potential for Legal Uncertainty. Some provisions may not be fully aligned with current EU legislation, and there are concerns about the clarity of guidance on calculating funding gaps for hybrid projects, which could lead to discrepancies or disputes.

7. Limited Technology Neutrality. While promoting a wide range of technologies, some provisions may still prioritize certain solutions over others, or omit crucial elements of the value chain, without clear justification. For instance, while the entire value chain of hydrogen is incentivized, the same does not apply to CCUS, as CO2 transportation and infrastructure projects are being excluded.

8. Conflicting Restrictions on Natural Gas. Although the adopted CISAF eventually allows governments to incentivize gas-fueled capacity, in the absence of alternatives, there is still a restrictive requirement to phase out natural gas by 2040. This short, technology-specific, deadline discourages such investments, which become increasingly more relevant, as balancing needs escalate in renewable-dominated energy systems. Overall, this restrictive approach does not seem aligned with the technology-neutrality principle nor Member States' prerogative to choose their own energy mix while remaining committed to the EU's climate neutrality goal. Furthermore, this approach may negatively impact the EU's competitiveness, security of supply and affordability.

9. Missing Opportunity. The adopted CISAF limits the eligible projects to the size and requirements of the existing installations, **without incentivizing capacity expansion**. This much-needed boost would enhance economies of scale and stimulate job creation.

10. Risk of "Too Little, Too Late". Overall, some critics suggest that the measures, while a step in the right direction, might be "too little, too late" to fully address the scale of the challenges faced by EU industries in the face of intense global competition and ambitious decarbonization targets.

4. Key Amendments in the Adopted CISAF vs. the Draft Proposal

In a previous report, we conducted a **thorough review of the draft CISAF**, which was set under public consultation by the European Commission from 11 March to 25 April 2025. We pointed out several weak points and suggested targeted amendments. As CISAF has now been adopted, we highlight below, **significant changes incorporated in its final version** vs. the initial proposal. The new provisions allowing national governments to offer temporary relief on electricity prices for energy-intensive industries are analyzed in Chapter 5.

4.1. Focusing on Section 4 - Accelerating the rollout of renewables

4.1.1 Aid expansion into low-carbon fuels

The adopted CISAF expands its focus beyond renewable energy and storage projects, into low-carbon fuels, such as **green and blue hydrogen or synthetic fuels, subject to sustainability criteria.** In the final text, an additional, dedicated section (Section 4.2) is introduced, reflecting the Commission's intension to counteract slow progress, stimulating fuels that are **crucial for hard to abate sectors**, including transportation and heavy industrial processes. The text incorporates **recognition for electricity produced from renewable fuels of non-biological origin** (RFNBOs) as well as **flexibility on low-carbon hydrogen.**

4.1.2 Fuel storage restriction deleted

According to the draft CISAF, state aid can be granted to fuels storage, but only if it obtains at least **75%** of its content from a directly connected facility (producing RFNBOs, biofuels, bioliquids, biogas, or biomass, on an annual basis). In the adopted CISAF, this rigid restriction has been deleted, hence addressing spatial restrictions that prevent direct electrical connections of this size.

4.1.3 Revision of project completion deadlines

Point 37 of the draft CISAF sets a rigid completion deadline for supported projects, specifying **36 months** after the date of granting, with **a provision for penalties in case this strict deadline is not met.** Exemptions are allowed for **limited cases**, namely, offshore wind, hydropower, including hydro storage, and renewable hydrogen production installations.

In practice however, **slow permitting procedures or unforeseeable factors** which are beyond the project developer's immediate control. These involve unexpected natural disasters, permitting applications appeals, court delays in the event of a legal dispute,

delays on grid connections or global supply chain's distortions. Moreover, renewable energy technologies in early stages of commercialization require more time for their first applications.

Taking into account such concerns, Point 54 of the adopted CISAF has amended the deadline for the supported projects to be completed and operational **within 48 months** after the date of granting. Furthermore, a provision for unforeseeable factors has been added, so that penalties are waived in such cases.

4.1.4 Coordination instead of joint procurement for flexibility and adequacy

Point 57 of the draft CISAF requires that flexibility and adequacy needs are **jointly addressed within the same support scheme**. In addition, Footnote 37 limits to a maximum of 2 years the coexistence of distinct schemes (capacity renumeration mechanism and flexibility support).

Nevertheless, this mandatory, joint procurement would not take into account the fundamental differences between the two services, i.e., the **obligation to provide a time-shifting service vs. the obligation to be available for adequacy**. As the two mechanisms capture distinct aspects, their coordination would be sufficient.

Point 100 of the adopted CISAF removes the joint procurement requirement and enables a more flexible approach, outlining **different coordination options of the two mechanisms**. For example, a minimum volume of non-fossil flexible capacity may be required to provide short term ramping services, or, resources may choose between participating in only one measure, with the target demand of each being adjusted accordingly.

4.1.5 Alternative option for cost allocation

The cost of the flexibility measure outlined above, up to a 90% threshold, is allocated among consumers that create flexibility needs. The draft CISAF specifies that this cost allocation **should be made on the basis of their consumption** (during at least 1% and at most 5% of the highest price hours each year), hence penalizing industrial consumers without flexible demand or households without smart meters.

Furthermore, as peak prices do not necessarily reflect lack of flexibility, the adopted CISAF also offers **an alternative formula**, **based on expected ramping patterns**. This approach postulates that costs can be allocated based on, at least 1% and at most 20% of the hours each year when the need for flexibility is more likely. This alternative may better capture the nature and dynamics of flexibility needs, while calculations could be done apriori, **offering some predictability of the incurred costs.**

4.2. Focusing on Section 5 - Aid to deploy industrial decarbonization

4.2.1. Revision of project completion deadlines

Responding to similar concerns, as outlined for renewable projects, the adopted CISAF has revised the required time limit for a financed project to start operations **into 60 months** starting from when the project's FID milestone is reached. This is a realistic, bold amendment, compared to the initial proposal of **36 months** after the date of granting. At the same time, the new timeline may be unattainable for investments involving complex infrastructure, such as CCS.

4.2.2. Better alignment with technology neutrality

The prioritisation of specific decarbonisation options (such as electrification for industrial heat decarbonisation) could undermine cost efficiency, by neglecting project-specific characteristics and local conditions. In many industrial sectors, such as the petrochemical, steel and cement, **electrification poses major challenges**, while blue hydrogen and CCS may be more suitable options. Point 144 of the adopted CISAF is **more inclusive** than Point 73 of the draft text, stating that, apart from electrification, the most climate and environmentally-friendly technologies cannot be excluded.

4.2.3 More inclusive adjustments

In the adopted CISAF the broader term **flexible electrification** has been introduced, instead of "electrification that uses only fully renewable energy". Investments in electrification can be considered flexible if for example, **electricity consumption can be adapted on the basis of price signals**, or when investments are combined with flexibility solutions installed, such as **energy storage**.

Notably, **the upper temperature limit has been increased** from 400 to 500°C, so as to include the upper range of temperatures covered by **electric boilers**, which are a widely established alternative to fossil-fuel boilers.

4.2.4. Higher maximum aid intensities

The **maximum aid intensities for industrial decarbonisation options have been increased substantially** in the adopted CISAF, as depicted in Tables 1 and 2. Aid intensities range from 20% to 60% depending on technology. In addition, the restrictive clause "Where an investment falls under more than one of the categories listed in points (a) to (d), the lowest applicable aid intensity applies" was finally excluded, allowing for more flexibility. The maximum aid amount per project remains the same at 200 million EUR per project.

Table 1 Aid limits in the draft CISAF under consultation

Aid limits - Draft CISAF		
Eligible investments	**Max Aid Intensity (% of eligible costs)**	**Max Aid Amount (Million € / project)**
Use of hydrogen	**50%**	**EUR 200 million**
Carbon capture equipment	**30%**	**EUR 200 million**
Production of renewable energy, energy storage, or electrification that uses fully renewable electricity	**35%**	**EUR 200 million**
For all other technologies	**20%**	**EUR 200 million**
Bonus	**10 percentage points** for small undertakings **5 percentage points** for medium sized undertakings	

Table 2 Aid limits in the adopted CISAF

Aid limits - CISAF adopted		
Eligible investments	**Max Aid Intensity (% of eligible costs)**	**Max Aid Amount (Million € / project)**
Use of hydrogen or hydrogen-derived fuels, where the share of RFNBOs is at least 40 %	**60%**	**EUR 200 million**
Production of renewable energy, energy storage, flexible electrification, carbon capture equipment	**45%**	**EUR 200 million**
Use of low-carbon fuels	**35%**	**EUR 200 million**
Production of low-carbon fuels	**20%**	**EUR 200 million**
For all other technologies	**30%**	**EUR 200 million**
Bonus	**10 percentage points** for small undertakings	

	5 percentage points for medium sized undertakings	

4.3. Focus on Section 6 - Clean tech manufacturing

4.3.1. Expansion of eligible technologies

The list of eligible technologies in the draft CISAF was rather restrictive, as shown in Table 3 below. The final text endorses a **holistic approach**, incorporating the **full list of strategic technologies** outlined in the Net Zero Industrial Act, as depicted in Table 4. These are deemed to be crucial to achieving Europe's decarbonization goals, along with components that are critical for low-carbon technologies, even if they are not always used solely for that purpose.

Table 3 Eligible technologies in CISAF under consultation

Eligible technologies - CISAF under consultation	
1	**Batteries**
2	**Solar panels**
3	**Wind Turbines**
4	**Heat Pumps**
5	**Electrolysers**
6	**Equipment for carbon capture, usage and storage (CCUS)**

Table 4 Eligible technologies in the adopted CISAF

Eligible technologies - CISAF adopted	
1	**Batteries and energy storage technologies**
2	**Solar technologies**
3	**Onshore wind and offshore renewable technologies**
4	**Heat Pumps and geothermal energy technologies**
5	**Hydrogen technologies**
6	**CCS technologies**
7	**Sustainable biogas and biomethane technologies**
8	**Electricity grid technologies**
9	**Nuclear fission energy technologies**
10	**Sustainable alternative fuels technologies**
11	**Hydropower technologies**

12	**Other renewable energy technologies**
13	**Energy system related energy efficiency technologies**
14	**Renewable fuels of non-biological origin**
15	**Biotech climate and energy solutions**
16	**Transformative industrial technologies for decarbonization**
17	**CO2 transport and utilisation technologies**
18	**Wind and electric propulsion technologies for transport**
19	**Other nuclear technologies**

4.3.2 Maximum aid amounts per project have been doubled

The adopted CISAF retained the maximum levels of its predecessor, i.e. Article 2.8 of the Temporary Crisis and Transition Framework (TCTF), hence doubling the values that had appeared in the draft CISAF.

Table 5 Aid limits in CISAF adopted

Aid limits - CISAF adopted		
	Max Aid Intensity (% of the eligible costs)	**Max Aid Amount (Million € per project)**
Non Assisted Areas	**15%**	**EUR 150 million**
Assisted (c) Areas	**20%**	**EUR 200 million**
Assisted (a) Areas	**35%**	**EUR 350 million**
Bonus	**20%** for small undertakings **10%** for medium sized undertakings	

4.3.3. Better terms in de-risking instruments

Regarding de-risking measures, the maximum nominal amount of an investment per individual project has been **increased to 250 million EUR** in the adopted CISAF vs. 100 Million € in the draft proposal. To better reflect the long-term horizon of infrastructure and industrial decarbonization projects and to improve project bankability, **the maximum duration of loans and guarantees has been extended to 20 years** in the final version vs. 10 years in the draft.

5. Temporary Electricity Price Relief: Analysis of the Measure

One of the most important additions to the adopted CISAF is Section 4.5, which allows governments to grant temporary price subsidies to energy-intensive industries, so as to **mitigate high electricity costs, which hinder their competitiveness and electrification.**

Here, we analyze this measure, illustrating how the electricity cost of indicative industrial consumers can be impacted, **if governments exploited this provision** and issued a relevant support scheme. Our analysis involves Greece and other EU countries, outlining opportunities and limitations.

5.1. Implications of the New Provisions

According to Point 120 of the CISAF, a price reduction can be at most "50 % of the yearly average wholesale market price", while support is eligible "for not more than 50 % of their annual electricity consumption".

If c is the annual consumption of an eligible industrial player and p the average wholesale price, the CISAF provisions lead to a maximum subsidy of: 0,5p*0,5c =0,25p*c.

If we assume for simplicity, that the total wholesale cost can be approximated as p*c, this results to a cost after subsidy of 0,75*p*C (minimum level) and an **overall subsided price of 0,75*p** (minimum level).

Hence, **the CISAF leads to a maximum reduction in wholesale electricity cost of 25%.**

The above **simplification** does not account for daily variations of price and consumption levels. A weighted average, i.e. sum of (hourly price*hourly consumption) over annual consumption, would reflect more accurately the wholesale cost, but it would not facilitate the derivation of **a clear threshold**.

5.2. Conditions for Max Price Relief

5.2.1. Price Ceiling

As the price level after the subsidy cannot exceed 50 €/MWh, it turns out that the **average wholesale price, p, should be greater than 66,67 €/MWh** (i.e. 50/0,75) on a certain year, in order for the maximum price relief to be applicable. This calculation is valid upon the interpretation that the term "eligible demand" refers to total annual demand.

5.2.2. Eligible Sectors

The measure applies to sectors highly dependent on trade and electricity costs, exposed to a **significant risk of relocating to non-EU countries** with lower environmental standards. The Commission refers to a 2022 list of sectors in Annex 1 of CEEAG, for which

the multiplication of their trade intensity and electro-intensity at Union level reaches at least 2 % and whose trade intensity and electro-intensity at Union level is at least 5 % for each indicator.

Eligible sectors include **mining and quarrying, chemical and heavy manufacturing industries, textile, wood and paper industries, food and beverage processing**, among others.

However, the framework allows member states **to demonstrate that additional sectors meet the criteria.** Experience however, with the EU Emissions Trading Scheme has shown that adding further sectors involves considerable effort for companies and their associations, with uncertain outcomes.

5.2.3. Reinvestment Rules

The framework requires beneficiary companies to reinvest at least half of the relief amount in climate measures, such as energy efficiency, renewable energy, or electrolyzers for hydrogen production. The three-year limit on aid is also a point of contention.

5.3. Examples

5.3.1 Small Industrial Consumer

Let's consider a small industrial entreprise in Greece that consumed 100 MWh over 2024. This consumer faced an average wholesale price of **100,88 €/MWh** and a total wholesale cost of 10.088 €.

Assuming that the maximum price relief of 50% is implemented, this yields a reduced, subsided price of 50,44 €/MWh. The amount of consumption which is eligible for this aid is only 50 MWh.

This results in a state aid of 2.522 €, i.e. 25% of the initial wholesale cost of 10.088€.

At the above example, as the subsided price was effectively reduced to 75,6 €/MWh, the limit of 50 €/MWh did not come into effect.

As noted, Member States with an average wholesale price higher than 66.67 €/MWh will not be able to fully exploit the support, as they hit the limit of 50 €/MWh included in the provision.

Table 1 illustrates the effects on wholesale electricity cost applying support under CISAF for several Member States. It is apparent that some countries will be able **to exploit the**

measure to full extent (green area) and achieve reductions up to 25% to the electricity wholesale cost. Others may not be able to receive maximum support from the framework because they will hit the price floor of 50 €/MWh (orange area).

Finally, for some countries the electricity **price relief is not applicable at all**, because their wholesale electricity prices are below 50 €/MWh (blue area). By comparing columns 5 and 7, we can see the effect that CISAF will have on decreasing the gap of wholesale electricity prices among EU Member States.

In Table 1, the electricity wholesale cost, the state aid coverage and the electricity cost with support under CISAF, meaning columns 5,6 and 7 are calculated on the basis that an industry consumed 100 MWh during 2024. In Table 2 the same calculations are repeated for the case of a larger industry that consumed 1000 MWh during 2024.

Table 6 Effects on wholesale electricity cost for industrial consumption of 100MW with support under CISAF

1	2	3	4	5	6	7	8
	Average wholesale price for 2024 (€/MWh)	Wholesale price reduction (€/MWh)	Wholesale price with max support under CISAF (€/MWh)	Electricity wholesale cost (€)	State aid coverage under CISAF (€)	Electricity wholesale cost with support under CISAF (€)	Percentage reduction with support under CISAF
Italy	108,4	27,1	81,3	10.840	2.710	8.130	25%
Bulgaria	102,55	25,64	76,91	10.255	2.564	7.691	25%
Greece	100,88	25,22	75,66	10.088	2.522	7.566	25%
Germany	78,51	19,63	58,88	7.851	1.963	5.888	25%
Portugal	63,46	13,46	50	6.340	1.346	5.000	21%
Spain	63,04	13,04	50	6.304	1.304	5.000	20,7%
France	58	8	50	5.800	800	5.000	13,8%
Finland	45,7	0	45,7	4.570	0	4.570	0%
Sweden	36,5	0	36,5	3.650	0	3.650	0%

5.3.2. Medium Industrial Consumer

Table 7 Effects on wholesale electricity cost for consumption of 1.000MW with support under CISAF

1	2	3	4	5	6	7	8
	Average wholesale price for 2024 (€/MWh)	Wholesale price reduction (€/MWh)	Wholesale price with max support under CISAF (€/MWh)	Electricity wholesale cost (€)	State aid coverage under CISAF (€)	Electricity wholesale cost with support under CISAF (€)	Percentage reduction with support under CISAF
Italy	108,4	27,1	81,3	108.400	27.100	81.300	25%
Bulgaria	102,55	25,64	76,91	102.550	25.640	76.910	25%
Greece	100,88	25,22	75,66	100.880	25.220	75.660	25%
Germany	78,51	19,63	58,88	78.510	19.630	58.880	25%
Portugal	63,46	13,46	50	63.400	13.460	50.000	21%
Spain	63,04	13,04	50	63.040	13.040	50.000	20,7%
France	58	8	50	58.000	8.000	50.000	13,8%
Finland	45,7	0	45,7	45.700	0	45.700	0%
Sweden	36,5	0	36,5	36.500	0	36.500	0%

4. Limitations:

(i) The **25% maximum reduction** in the wholesale electricity cost **does not address the significant gap** to global competitors, which is in the order of 100-200%, as stressed in the Draghi report.

(ii) Wholesale cost is a significant component, often reflecting 50-60% of total electricity cost. This also includes surcharges for other markets (e.g. balancing, ancillary services, capacity), networks charges, levies and taxes. Hence, **the reduction in the total electricity cost is more limited in practice, often in the order of 10-15%.**

(iii) More specifically, an industrial consumer with annual consumption of 100 GWh (hence, classified as band IB according to Eurostat categories), faced a total electricity cost (with

all levies and taxes included) of **276.7 €/MWh** in the first Semester of 2024 and **267.8 €/MWh** in the second Semester, on average, across the EU.

(iv) Focusing on Greece, the total electricity cost was 214.6 and 248.2 €/MWh, respectively, across the two subsequent semesters of 2024. This means that the **price relief, if applied, would cover 11% of the total cost, approximately** (as we work with average levels, not hourly data).

(v) It is notable that the balancing cost in Greece was 12.5 €/MWh on average over 2024 (vs. 3.5 €/MWh in Italy). This practically, means that the impact of the price relief under CISAF is almost 2 times the balancing cost. Its magnitude **is not negligible but at the same time, it is not significant to mitigate the issue of escalating costs.**

6. Other Legal Instruments and Forthcoming Legislation

1. Besides the CISAF, other State aid rules relevant to clean energy and decarbonization, notably the **2022 CEEAG**, continue to apply in parallel and may be used by Member States for different or more complex support measures.

2. Member States may also continue to rely on the **General Block Exemption Regulation (GBER)**[1] to implement State aid measures in this field without the need to notify them to the Commission.

3. **Next Milestones in Relevant EU Legislation**

Besides implementing this new State aid framework, the Commission also plans to simplify other existing State aid rules:

- The recently launched **review of the GBER**[2] is intended to result in a significantly reduced administrative burden on both businesses and Member States.
- The Commission is also **evaluating the 2008 Guarantee Notice**, to assess if it is still a sufficiently clear and predictable framework for granting state guarantees.
- The Commission also intends to work with Member States to speed up the design of new **important projects of common European interest** (**IPCEI**), and assess targeted changes to the IPCEI definition. The objective is to strengthen the efficiency of the tool to support industrial decarbonization and the scale-up of clean tech manufacturing in the EU.
- A **revision of EU hydrogen strategy** seems likely, given the recognition of the role of **low-carbon hydrogen** in the decarbonisation of EU industry and economy.
- Although the CISAF does not cover aid for nuclear energy generation, the Commission states that it recognizes the role of nuclear in the energy mix and will conduct a timely **assessment of State aid for nuclear supply chains and technologies**, including for small and advanced modular reactors.

[1] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0651-20230701
[2] https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1814

Final Remarks

Overall, the adopted CISAF appears to be a **more impactful investment and decarbonisation tool** than its draft proposal. Although not adequately resolving the pressing issue of surging electricity costs for the EU industry, as our analysis illustrates, it is certainly a green investment accelerator and an **innovation booster**.

By offering predictability, simplification, swift approvals, combination of funding schemes, and project bankability, the CISAF has the potential to deliver a **future-proof industrial transformation**. Adopting a holistic and flexible approach towards a wide spectrum of options and **leveraging private capital**, CISAF can stimulate both industrial decarbonisation and clean tech industry in the EU, fostering strategic autonomy and job creation. Nevertheless, a level playing field within the EU does not seem realistic, as **national budgets still play a key role.**

To a large extent, the success of CISAF will depend on the ability of the EU to **release new funding** for its industrial objectives, or at least, better **coordinate existing sources**. Initiatives such as the **Industrial Decarbonisation Bank** need to be clarified shortly, along with the crucial details of the next **multi-annual EU budget**.

The European Commission budget proposals, presented on 16 July 2025, reflect **right priorities** but seem to fall far short of ambition and radical rethink. The envisaged **European Competitiveness Fund**, a clear EU framework for investments throughout the entire innovation cycle, **from applied research through manufacturing and deployment,** could be a powerful instrument, facilitating the instruments that CISAF deploys.

Over the next months, the European Commission and national governments **need to collaborate closely with all relevant industrial sectors**, in view of targeted adjustments to key enabling legislation. Coordination is key to respond to the global competitiveness race, mitigating the EU's competitiveness gap with other leading economies, while remaining focused on climate and security objectives.

We will keep following developments closely, **navigating interesting parties through the emerging opportunities,** identifying options and mitigating risks.