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CISAF: The EU Accelerator for Decarbonization and Clean Tech Investments

Navigating Opportunities and Challenges

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Empowering Energy Leaders of Tomorrow

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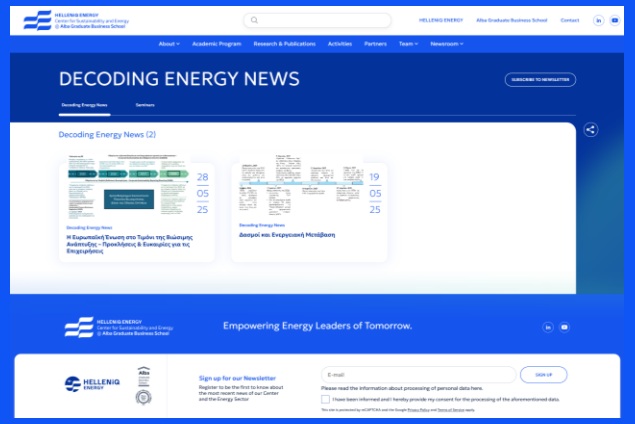
Αποκωδικοποιώντας την Ενεργειακή Επικαιρότητα



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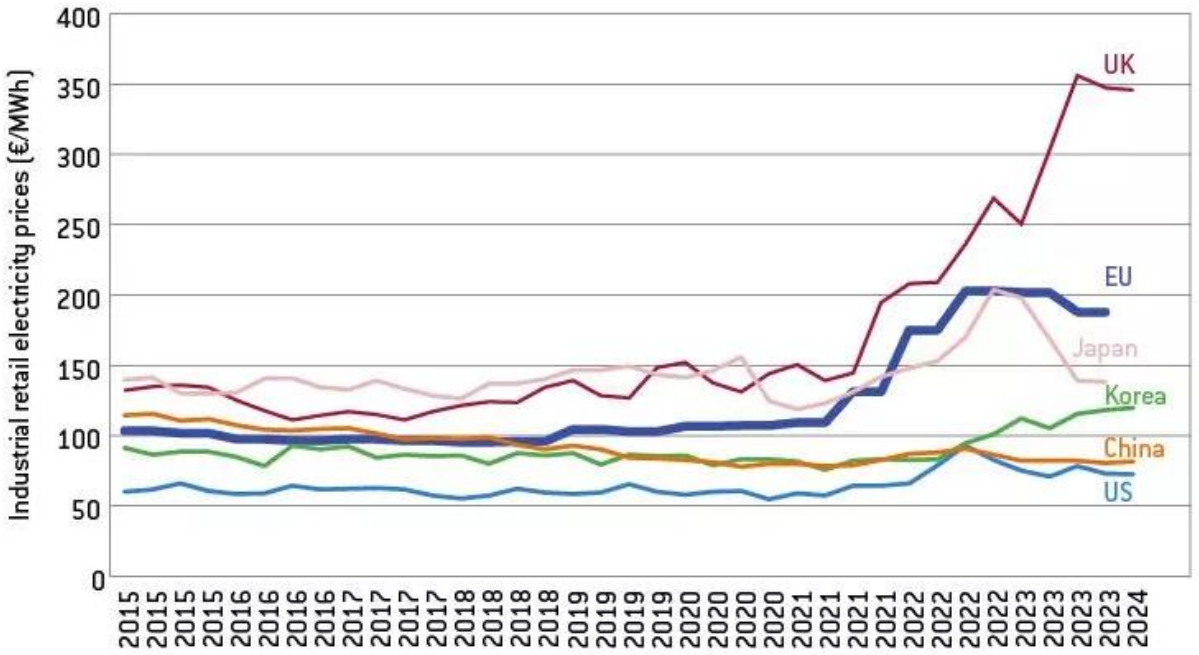
The EU Industry is facing existential challenges

Electricity Prices - EU Industry vs. Global Competitors



Source: DG ENER / European Commission (2024)

Amid global tensions, EU industries are exposed to:

Skyrocketing Energy Costs: Electricity prices are 2-3 times higher than those in the US and China, while natural gas costs are 4-5 times higher.

Fierce international competition: While subject to complex EU regulations, their global counterparts are favored by protectionist policies.

Supply Chain Disruptions: The EU heavily depends on imports for Critical Raw Materials, striving for diversification and strategic sovereignty.

Innovation Lag: The EU is stuck in a static structure with few new companies rising up to disrupt existing industries.

These vulnerabilities are exacerbated by financial barriers, slow permitting procedures as well as labor shortages.

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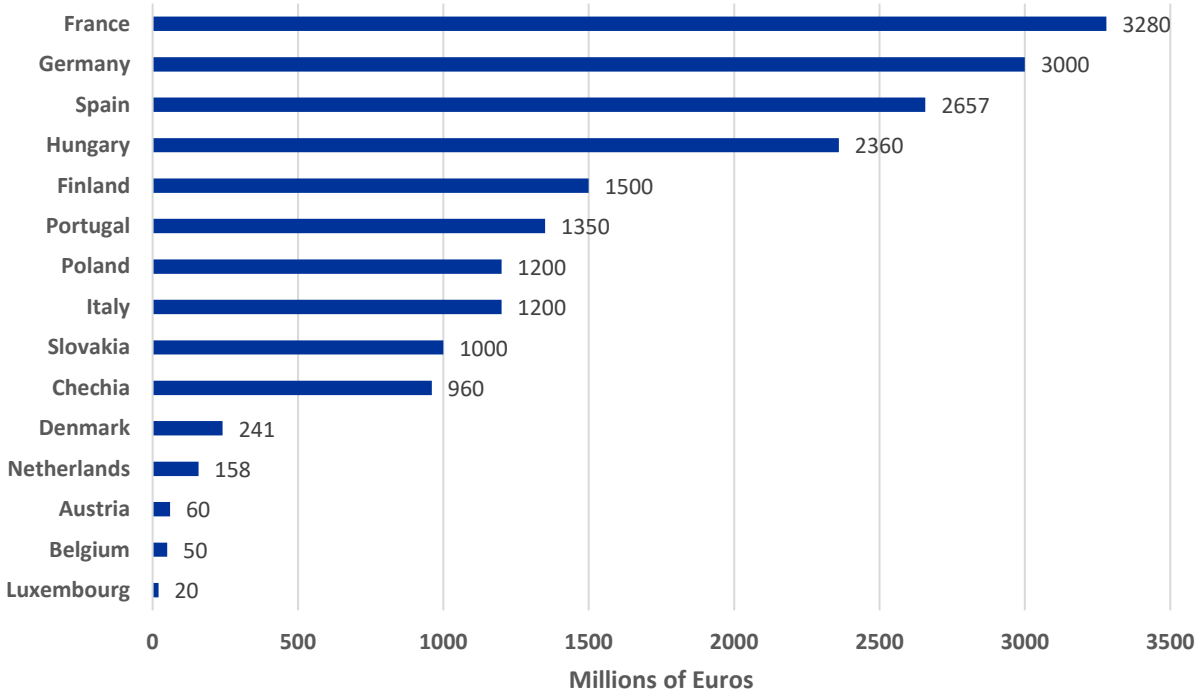
Strategic Investments for a Net-zero Economy: Fast-track State Aid Approvals

Budgets of Approved Schemes

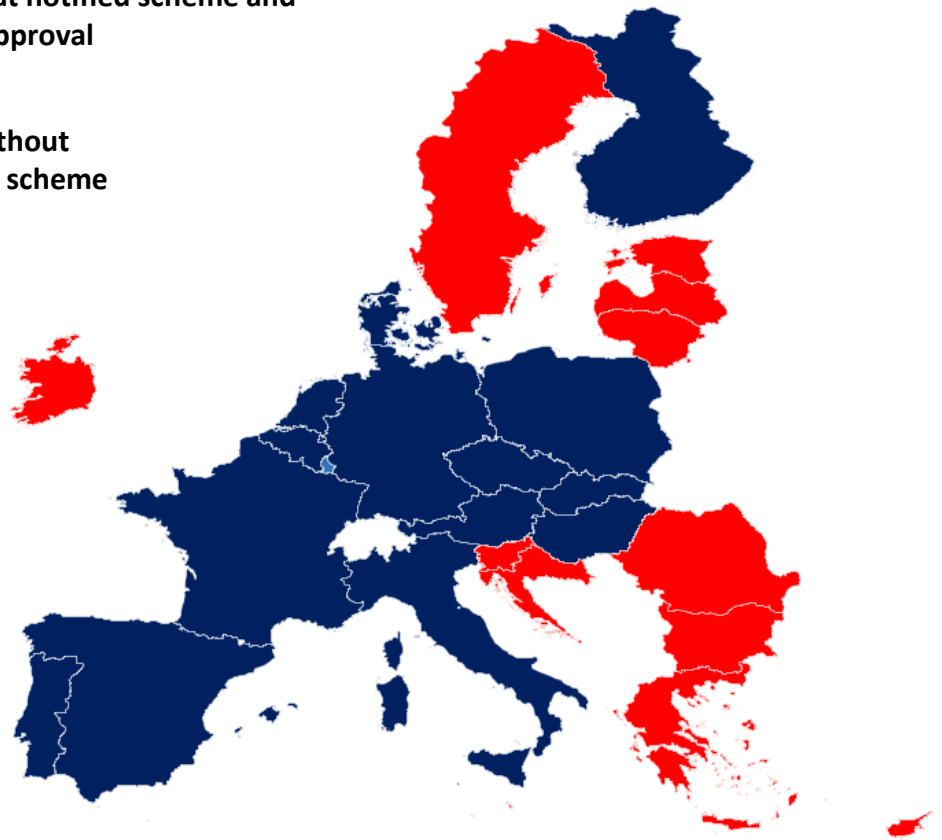


Member States that exploited the opportunity

Enabling Tool for Governments: Temporary Crisis and Transition Framework, Article 2.8

Country that notified scheme and obtained approval

Country without announced scheme



Key Figures

EU

21 Approved Schemes

15 Countries

19 Billion Euro

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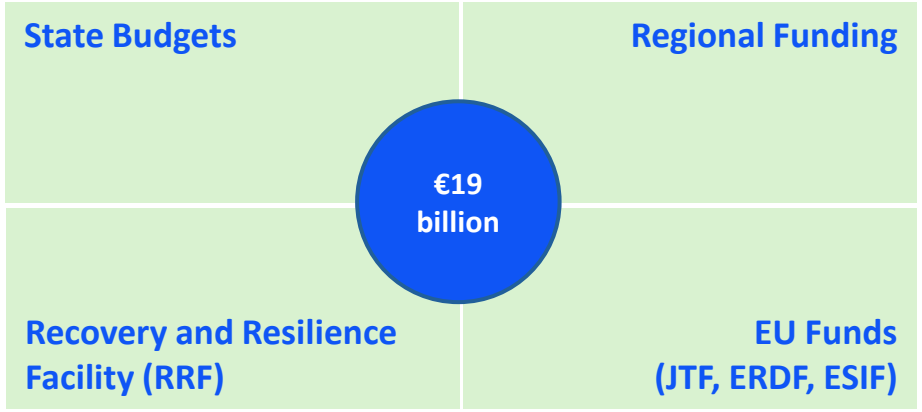
How Industrial Investments are incentivized under TCTF?

Incentives for Investments:

1. **Production of Equipment for net-zero economy:**
   - Batteries
   - Solar Panels
   - Wind Turbines
   - Heat-pumps
   - Electrolysers
   - Equipment for carbon capture usage and storage (CCUS)
2. **Production of Key Components, direct input for the above**
3. **Production or Recycling of related Critical Raw Materials**

Aid Approved - Sources



	Non assisted areas	C Regions	A Regions
Max aid amount	**150 M €**	**200 M**	**350 M €**

Aid Intensity Direct Grants

Large enterprises	**15%**	**25%**	**35%**
Medium enterprises	**20%**	**30%**	**40%**
Small enterprises	**35%**	**45%**	**55%**

Aid Intensity Loans / Guarantees/ Tax advantages

Similar structure

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The Clean Industrial Deal (CID) - Revamping the EU Industry

Timeline of the CID

1. The European Commission released CID in February 2025
2. Vote in the ITRE Committee is expected for Jun 2025
3. Plenary vote is planned for Jul 2025

The Two Investment Pillars of the CID

1. Incentivize decarbonization of energy-intensive industrial sectors, driving growth and sustainability
2. Stimulate clean tech manufacturing, fostering strategic autonomy and jobs

Key Performance Indicators

1. Increase electrification rate (economy wide) from 21.3% today to 32% in 2030
2. Install 100 GW of renewable electricity capacity annually up to 2030
3. Reach 40% of domestic clean tech production in the EU market by 2030

Funding of the CID

1. EU Streams: Innovation Fund, Horizon Europe, InvestEU
2. Initiatives: Competitiveness Fund, Industrial Decarbonisation Bank, TechEU
3. New State Aid Framework: CISAF

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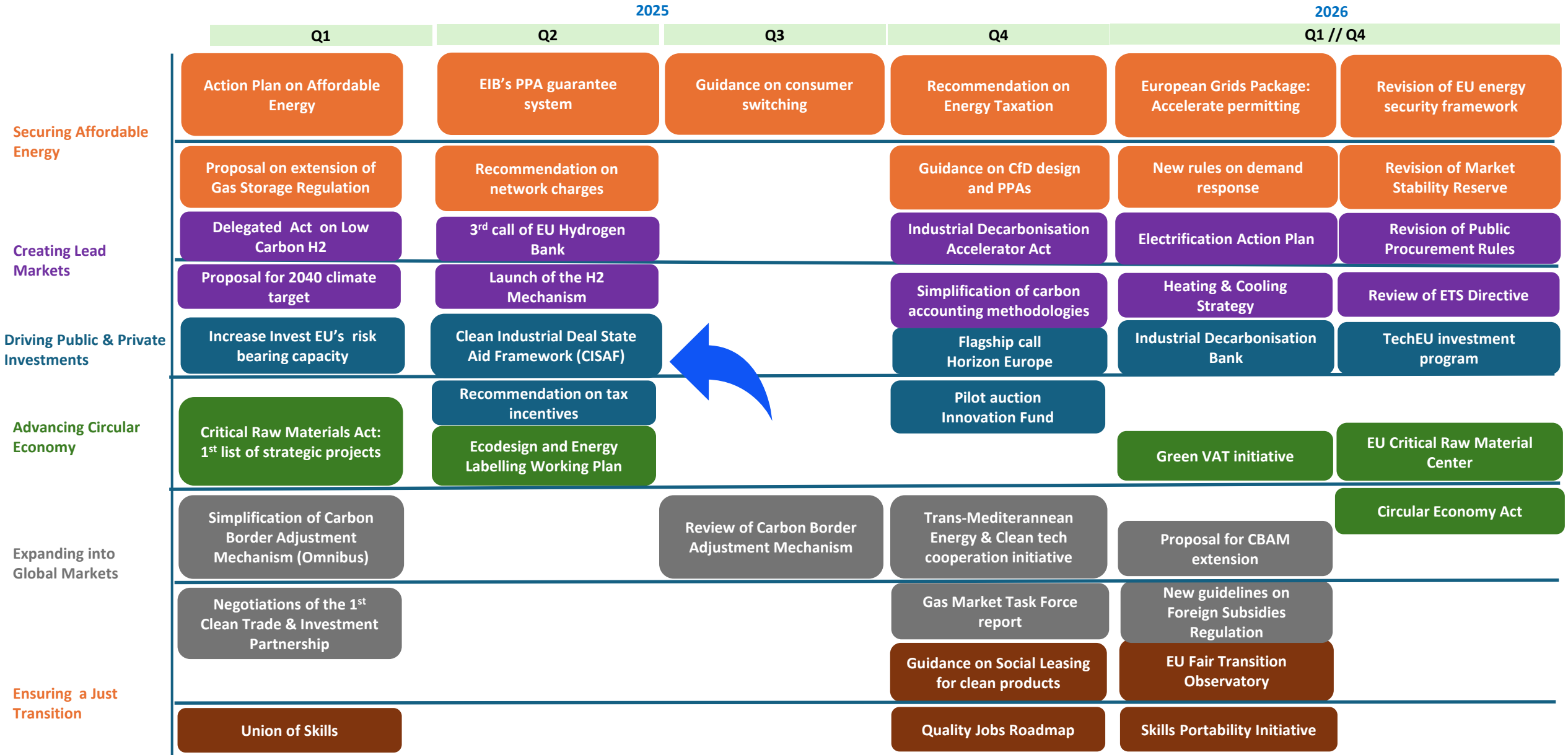
Flagship Actions of the Clean Industrial Deal



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A New State Aid Framework to Accelerate Decarbonization Investments

Why CISAF is relevant?

- A government has various instruments to finance investment projects:
- Subsidies, loans, guarantees, tax benefits, ext.
- Such aid must comply with European state aid rules.
- The approval procedure mainly ensures that the aid is necessary and proportional, without distorting competition in the Internal market.

With CISAF, the European Commission:

- Expands existing possibilities for granting State Aid into 4 categories of decarbonization and clean tech manufacturing.
- Streamlines the demonstration of compatibility, creating off-the-shelf options that Member States can deploy quickly.
- Governments can adopt simplified methods to set aid amounts and deploy schemes without lengthy notifications.

In a nutshell

- CISAF intends to provide a stable and predictable investment environment.
- Acts as a guide for Member States on how to efficiently allocate EU and national funds.
- Dual objective: To facilitate decarbonization, while boosting growth.

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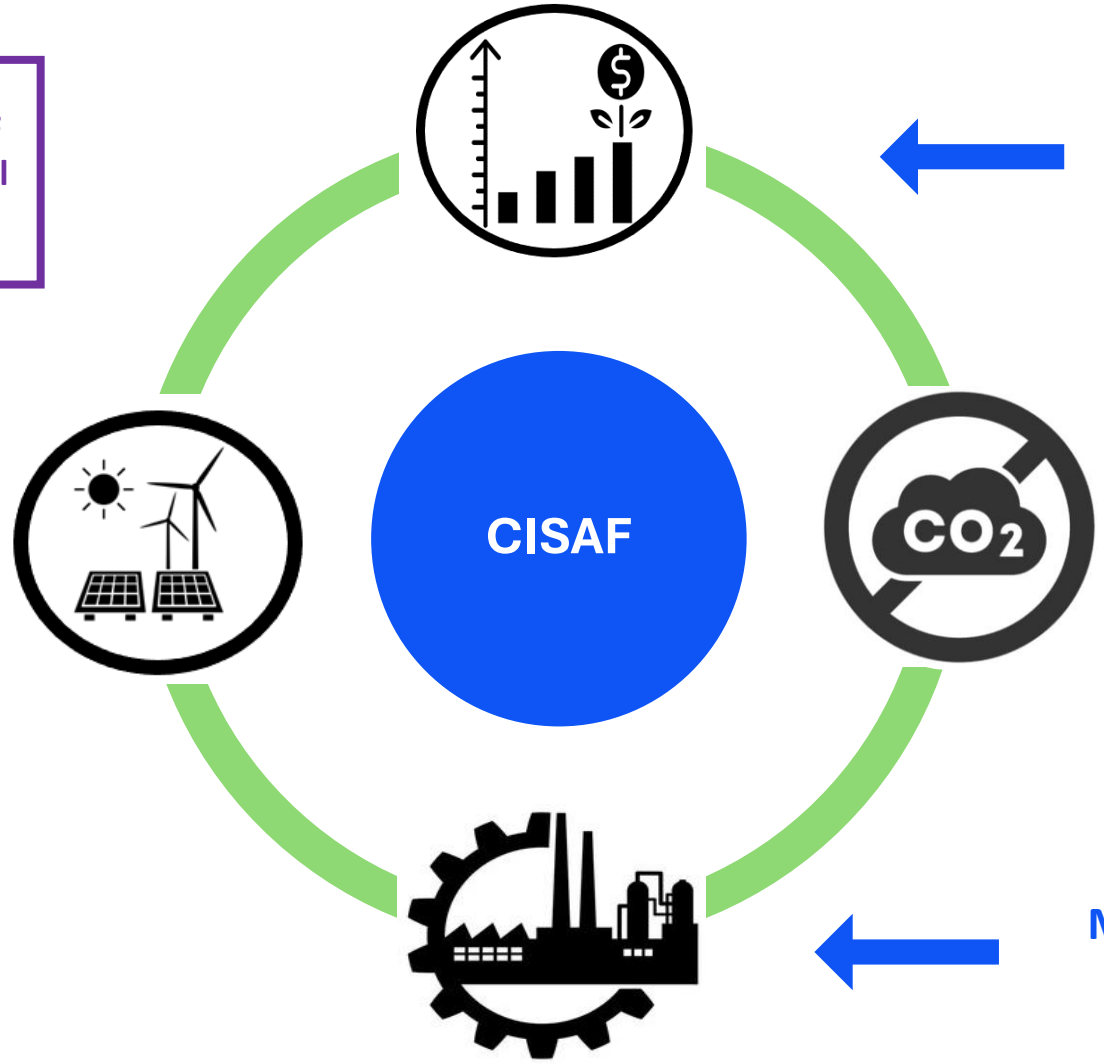
Types of Aid Measures under the Clean Industrial State Aid Framework (CISAF)

Once adopted, CISAF will replace TCTF and is expected to remain in force until December 31st, 2030



Instruments to de-risk private investments

Measures facilitating industrial decarbonization

Measures ensuring manufacturing capacity in clean technologies

Measures accelerating the roll out of renewable energy and storage

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Review of CISAF - Funding Issues and Recommendations

1	OPEX Support should be added	While CISAF alleviates CAPEX costs, it does not address OPEX, creating investment uncertainty. Indicatively, carbon contracts for difference should be allowed.
2	Aid Thresholds should be increased	Maximum aid amounts per project are lower than TCTF (200 vs 350 mil €). Aid intensity - CCS: 30%, Storage: 35%, Hydrogen: 50%, Other: 20% . Clean tech: 15-35% (max: 75-175 mil €).
3	Payments after granting decisions should be swift	Setting time limits so that aid reaches projects on time is critical to maintain competitiveness during the growth phase.
4	Payments to become performance - driven	Gradually, aid should be tied to deliverables rather than cost projections, as successfully applied in the US, through IRA.
5	Co-funding should be simplified	CISAF should simplify combining aid with other EU funds, as long as max thresholds are respected, without requiring parallel administrative processes.
6	EU funding should become more coordinated	To avoid subsidy races among Member States and prevent regional disparities, EU funding could be allocated in a more coordinated manner (e.g. by using the EU CCT tool).

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Review of CISAF - Policy Issues and Recommendations (I)

1	CISAF should adopt a technology - neutral approach	Overly restrictive requirements are imposed on natural gas - based projects. Commitments to shift to hydrogen do not reflect technical, economic and infrastructural constraints.
2	Natural gas should retain its crucial role in energy security and decarbonization	30 GW of new gas plants have been contracted under capacity mechanisms. Allowing for capacity schemes, as in Germany, would avert plant mothballing and incentivize CCS or low-carbon hydrogen.
3	Rigid requirements should be avoided, as they squeeze investments	Industrial decarbonization projects should not be exposed to the requirements of RFNBOs, as hydrogen is still 96% fossil based.
4	CISAF should also consider demand-side measures	CISAF focuses on the supply side of clean technologies, but it is not considering demand incentives and market-enabling measures.
5	Instead of prescriptive solutions, cost-efficient outcomes should emerge	CICAF should avoid a default prioritization of on-site generation over market-based electricity sourcing (PPAs) and opt for the most competitive option.
6	Fair cost allocation of flexibility measures	Rather than penalizing industrial consumers who cannot easily alter their consumption patterns, the cost of flexibility support schemes should be allocated to the entities incurring flexibility needs.

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Review of CISAF - Policy Issues and Recommendations (II)

1	CISAF should retain TCTF provisions (article 2.4)	CISAF must allow aid to support energy-intensive industries facing elevated energy prices, which threaten their competitiveness.
2	Incentives for Capacity Expansion and Recommissioning	Instead of a 5% limit on manufacturing expansion, capacity increase should be incentivized, along with decarbonization, to reverse industrial decline.
3	Aid for Critical Raw Materials should be extended.	CISAF limits support to CRMs relevant to clean-tech, while they are also essential for digital infrastructure, defense and strategic autonomy.
4	CHP options should not be disqualified, as they deliver fast climate benefits.	The requirement for high-efficiency gas cogeneration plants to achieve 30% energy savings or 60% emission reduction is far beyond the Energy Efficiency Directive threshold.
5	Capacity Mechanisms should rely on national studies.	National adequacy studies are essential to complement the pan-European study. Crucial tender parameters should also involve Member States. Explicitly include Storage. Flexibility and Adequacy schemes could co-exist.
6	Completion Deadlines require some flexibility.	Instead of a 36-month time limit for RES and electrification projects (with few exemptions), flexibility is required, to account for grid connection or permitting delays.

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CISAF requires several amendments - Issues particularly relevant for Greece

Authorities and Stakeholders should actively be involved to shape fair changes before CISAF is adopted.
Another critical issue is funding. The forthcoming EU initiatives are expected to bring more clarity on this.

1	The role of natural gas should be included in CISAF, with a realistic decarbonization perspective.	Given the significant role of gas in our energy mix, its contribution to grid stability, as renewables will exceed 80% by 2030, and gas infrastructure being deployed with a regional perspective, existing CISAF provisions are overly restrictive for Greece.
2	The additionality principle should be removed.	As renewable curtailments are increasing, imposing the additionality principle for industrial electrification and hydrogen production, is counter-intuitive.
3	Capacity Mechanisms should allow for national specificities.	Security of Supply remains a fundamental right of Member States. Although some harmonization is desirable, Entso-E and ACER cannot fully assess all relevant risks. Capacity schemes considered in Greece could face severe challenges.
4	Undue aid restrictions hindering investments should be removed.	Existing provisions regarding investments in critical raw materials, hydrogen and CCS infrastructure are likely to challenge projects across the EU, including Greece.

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