EASE Briefing:
Temporary Crisis and Transition Framework

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EASE – European Association for Storage of Energy

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Introduction

In line with the European Commission's Green Deal Industrial Plan, on 9 March 2023, the Commission adopted a renewed version of the Temporary Crisis and Transition Framework. The general purpose of the Framework is to temporarily loosen EU State Aid rules in order to allow Member States to accelerate the funding of the net-zero transition in response to the economic impacts of Russia's war in Ukraine and the US Inflation Reduction Act. This is complemented by more targeted and permanent changes to the General Block Exemption Rules, which allow the Commission to suspend reporting requirements on select energy storage installations, which mainly affects co-located and BtM installations.

1. Analysis of the Renewed Framework

Below, this chart describes the relevant state aid that Member States may give to energy storage and battery firms:

Section of Framework	Impact on Energy Storage
2.5 (75): *Aid for accelerating the rollout of renewable energy and energy storage relevant for REPowerEU*	• Here, the Commission focuses specifically on freeing state aid to accelerate *investments* in the rollout of renewable energy and energy storage. • Describes accelerating energy storage capacity via state aid as "an appropriate, necessary and targeted solution" to reduce the European Union's dependence on imported fossil fuels.
2.5.1 (77): *Investment aid for accelerating the rollout of renewable energy and for energy storage*	• Encouragingly, the Framework says that electricity storage and thermal storage qualify for state aid under the Framework. • A wide scope in the type of aid is allowed to be dispersed, including in the form of grants, repayable advances, loans, guarantees and tax advantages. • If such aid is granted via a competitive bidding process, then energy storage projects can qualify for state aid up to 100% of the total investment. • Additionally, Member States can forego the bidding process and also grant aid to energy storage projects at their administrative discretion for up to 45% of total investment costs.

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An additional 10% can be added on top for medium-sized firms
An additional 20% can be added on top for small firms.

Both newly installed and repowered energy storage firms qualify.
This aid cannot be combined with operational aid under Section 2.5.2 unless this aid is foreseen that possibility at the time of initial notification.
Such aid can be granted for installations that started work on 9 March 2023 until 31 December 2025.

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<td>2.5.2 (78):
Operating aid for accelerating the rollout of renewable energy and for energy storage</td>
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Here, the Commission focuses specifically on freeing state aid to support the operations of energy storage firms in order to replace the use of fossil generation.
Operational state aid also includes electricity storage and thermal storage
Aid here is granted exclusively in the form of two-way contracts for difference (CfD), where a price floor and ceiling are established. Thus, Member States step in to provide support when prices fall but also energy storage firms are expected to hand over profits when prices rise above a certain threshold.

Such two-way CfDs cannot exceed 20 years.

These CfDs can be granted through competitive bidding.
Additionally, Member States can forego the bidding process and also grant CfDs to energy storage firms with the strike price administratively set by the competent energy regulatory authority.

CfDs set by the competent energy regulatory authority must prevent distortion to the efficient functioning of markets

Both newly installed and repowered energy storage firms qualify.
This operational aid can be paired alongside other forms of aid as long as the combined aid does not exceed 100% of the expected net costs.

This excludes investment aid from Section 2.5.1 unless Section 2.5.2 operational aid is foreseen in the initial application for Section 2.5.1 investment aid.

These CfDs as operational aid can be granted for installations that started work on 9 March 2023 until 31 December 2025.

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2.8 (85): *Aid for accelerated investments in sectors strategic for the transition towards a net-zero economy*	• This section authorises state aid to be granted towards the *production* of equipment for the transition to a net-zero economy where it **only lists batteries** and not all energy storage technologies.
	• Aid may be granted in the form of direct grants, tax advantages, subsidised interest rates or guarantees on new loans.
	• Eligible costs of production include tangible assets (such as land, buildings, equipment, machinery) and intangible assets (such as patent rights, licenses, or other intellectual property)
	• Production aid may not exceed 15% of eligible costs where the overall aid dispersed cannot exceed €150M per company per Member state.
	  ○ Aid may be increased to 20% (up to €200M) for 'c' areas under a Member State's NUTS regional aid map.
	  ○ Aid may be increased to 35% (up to €350M) for 'a' areas under a Member State's NUTS regional aid map.
	  ○ Aid may be increased up to 20% if aid is in the form of tax advantages, loans or guarantees
	  ○ Aid may be increased up to 30% for medium enterprises.
	  ○ Aid may be increased up to 40% for small enterprises.
	• The production aid beneficiary must commit to maintaining investments in the given area for at least 5 years after the completion of the investment.
	  ○ Such obligations are reduced to 3 years for SMEs.
	• Before the aid is dispersed, it must be verified the recipient is not a relocation risk between Member States within the EEA.
	• This operational aid can be paired alongside other forms of aid as long as the combined aid does not exceed 100% of the expected net costs.
	• These CfDs as operational aid can be granted for installations that started work on 9 March 2023 until 31 December 2025.

3 (87): *Monitoring and Reporting*	• Member States must report to the Commission all aid given under this Framework which exceeds €100k

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2. Conclusions

Overall, the new temporary Framework gives Member States a great deal of discretion in granting state aid to cover the investment costs of energy storage projects and allows them to cover large chunks of the investment cost. This framework also allows energy storage firms to temporarily have better access CfDs to cover their operational costs and it can be paired with investment aid in certain cases. Unfortunately, state aid for the production of energy storage equipment is only reserved for battery firms. In order to reach Europe's net-zero industrial targets, state aid should be accessible for the investment, operation *and* production costs of energy storage

Notably, the Framework has few provisions regarding cohesion concerns and this is important to emphasise as the state aid for energy storage addressed in the Framework will be dependent upon the political priorities and financial capacity of a Member State. The Framework does not mandate Member States to distribute aid but simply allows them to do so of their own volition within the prescribed criteria. This will likely mean that more opportunities could open up in Member States with the financial capacity and the political commitment to deploy energy storage. However, it will likely do little to promote the deployment of storage assets in Member States which lack the budget and political commitment to publicly finance energy storage. Thus, already storage-friendly Member States will likely become even more friendly. Whereas Member States already lacking the conditions for public investment in energy storage development will probably not improve.

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About EASE

The European Association for Storage of Energy (EASE) is the voice of the energy storage community, actively promoting the use of energy storage in Europe and worldwide. It supports the deployment of energy storage as an indispensable instrument within the framework of the European energy and climate policy to deliver services to, and improve the flexibility of, the European energy system. EASE seeks to build a European platform for sharing and disseminating energy storage-related information and supports the transition towards a sustainable, flexible and stable energy system in Europe.

For more information please visit www.ease-storage.eu

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Disclaimer

This response was elaborated by EASE and reflects a consolidated view of its members from an energy storage point of view. Individual EASE members may adopt different positions on certain topics from their corporate standpoint.

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