EU support to green transition

10 May 2023
TESSD
Subsidy Working Group
EU Green Deal Industrial Plan

- Fast transition to climate neutrality
- Scaling up manufacturing capacity for the net-zero technologies and products

4 pillars:
1. Predictable and simplified regulatory environment
2. Speeding up investment and financing for clean tech production
3. Enhancing skills
4. Open trade
   - global cooperation
   - making trade work for the green transition, under the principles of fair competition and open trade,
   - building on the work of the WTO
EU State aid (subsidy) framework

Principles:
• Specific public policy objective to remedy market failure or to address an equity rationale
• Proportionality
• Bring about a change of economic behaviour
• Appropriateness
• Balancing - positive contributions to achieving the policy objective outweigh any negative effects on trade

WTO compatibility
Guidelines on State aid for Climate, Environmental Protection and Energy

- **Categories**
  - **investments** (e.g. clean mobility infrastructure, resource efficiency, biodiversity) and
  - **technologies** (e.g. renewable hydrogen, electricity storage and demand response, decarbonising production processes)

- **Safeguards**
  - ensure effectiveness to improve climate and environmental protection,
  - not unduly distort competition

- **Coherence**
  - with legislation and policies in the environmental and energy fields, i.a. by phasing out subsidies for fossil fuels

- WTO compatibility
Temporary Crisis and Transition Framework

- Streamlining procedures
- Expanded scope
  - all types of renewable energy sources, decarbonisation of industrial processes
- Transitional measures
  - for key sectors for net-zero transition (e.g. batteries, solar panels, wind turbines, heat-pumps, electrolysers and carbon capture usage and storage)
- WTO compatibility
Conclusions

• Critical role for incentives to enable the low-carbon economy transition
  o demand for next-zero- emissions products and technologies,
  o access to public and private investment and financing for climate-related projects
  o secure, affordable and sustainable energy system, increase the level of environmental protection
Conclusions - WTO aspects

• Work with its partners to promote stability in international trade
• The WTO has a role in supporting climate neutrality
  • disciplines on subsidies
  • promote green transition in a manner that minimises trade distortions
  • forum for deliberations on trade aspects of the green transition