

Case No: 68546
Event No: 563673
Dec. No: 348/10/COL

EFTA SURVEILLANCE AUTHORITY DECISION
of 15 September 2010

on the notified amendment to the scheme for research and development concerning gas technologies with improved environmental performance (“Gassnova”)

(Norway)

The EFTA Surveillance Authority (“the Authority”)

HAVING REGARD to the Agreement on the European Economic Area (“the EEA Agreement”), in particular to Article 61 and Protocol 26 thereof,

HAVING REGARD to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice (“the Surveillance and Court Agreement”), in particular to Article 24,

HAVING REGARD to Protocol 3 to the Surveillance and Court Agreement (“Protocol 3”), in particular to Article 1(3) of Part I and Article 4(3) of Part II,

HAVING REGARD to the consolidated version of the Authority’s Decision No 195/04/COL of 14 July 2004 on the implementing provisions referred to under Article 27 of Part II of Protocol 3 (“the Implementing Provisions Decision”)¹,

HAVING REGARD to Authority’s Guidelines on state aid for research and development and innovation (“R&D&I Guidelines”)²,

Whereas:

I. FACTS

1. Procedure

The Norwegian authorities notified an amendment to the existing scheme for research and development concerning gas technologies with improved environmental performance (“Gassnova”), pursuant to Article 1(3) of Part I of Protocol 3 by letter of 2 July 2010 (Event No 562826).

On 17 August 2010, the Authority requested the Norwegian authorities, in accordance with Article 4(5) of Part II of Protocol 3, to agree to a one-month extension of the preliminary investigation phase, i.e. until 2 October 2010 (Event No 563673).

On 19 August 2010, the Norwegian authorities agreed to the request (Event No 566848).

¹ Available at: <http://www.eftasurv.int/media/decisions/195-04-COL.pdf>

² OJ L305, 19.11.2009, p. 1, and EEA Supplement No 60, 19.22.2009, p. 1, also available at: <http://www.eftasurv.int/state-aid/legal-framework/state-aid-guidelines/>

2. Description of the proposed measure

On 30 November 2005, the Authority adopted Decision No 302/05/COL on a notified scheme for research and development concerning gas technologies with improved environmental performance (“Gassnova”) (referred to as “the Gassnova scheme”). In this Decision, the Authority found the scheme to be compatible with the state aid rules of the EEA Agreement, in particular, with Article 61(3)(c) thereof, read in conjunction with the R&D Guidelines applicable at that time.³

On 17 December 2008, the Authority adopted Decision No 786/08/COL, approving a notified amendment of the scheme on the basis of the R&D&I Guidelines.⁴ The Decision approved the expansion of the field of activities eligible for funding under the scheme by including carbon capture and storage technologies (“CCS”) related to all fossil fuels and not only gas. The Decision also approved several amendments necessary for the scheme to comply with the 2007 R&D&I Guidelines.

The Gassnova scheme forms part of the aid programme CLIMIT, which is aimed at promoting environmentally friendly fossil fuel fired technologies for electric power generation and solutions for CCS. The CLIMIT programme is run jointly by Gassnova and the Norwegian Research Council. The notification and the present decision only concerns the part of the CLIMIT programme administered by Gassnova.

By letter of 2 July 2010, the Norwegian authorities have notified the expansion of the existing Gassnova scheme by making the scheme applicable not only to R&D&I concerning CCS in relation to energy production, but also to CCS technologies related to industrial sources.

The Norwegian authorities point out that the International Energy Agency (“the IEA”) has estimated that CCS has the potential of contributing substantially to emission reductions by 2030 and beyond. As fossil fuels will be the dominant source of primary energy for decades to come, the Norwegian authorities argue that CCS needs to be widely deployed. Presently, however, the cost of CCS will add significantly to the cost of electricity. The cost of CCS therefore needs to be significantly reduced before a European or global deployment of CCS technologies becomes a commercial option. The Norwegian authorities are therefore of the opinion that the implementation of cost-cutting strategies for CCS is vital for the efforts to accelerate the overall use of CCS. The Norwegian authorities point out that presently, CCS technologies are in their infancy and there is no market for CCS solutions. No full scale industrial carbon dioxide capture plant is yet operational and the costs of such projects are much too high as compared with other possible carbon abatement measures, such as the EU Emissions Trading Scheme. Norway therefore aims at assisting in creating a functioning global market for CCS technologies at affordable prices.

Furthermore, even if most attention so far has been paid to capturing carbon dioxide from power generation due to the importance of the energy sector as source of greenhouse gas emissions, the Norwegian authorities are of the opinion that if CCS technologies are to be widely deployed it is necessary to develop a portfolio of carbon dioxide capture technologies, including industrial sources. In this regard, the Norwegian authorities refer

³ Former Chapter 14 of the Authority’s State Aid Guidelines, Aid for Research and Development, was adopted on 26 July 2002 with Decision No 145/02/COL.

⁴ The existing R&D&I Guidelines were adopted by the Authority by Decision No 14/07/COL of 7 February 2007.

to the CCS road map of the IEA from 2009, which estimates that there will be a need for around 1700 full scale CCS plants in the industry within 2050 to limit the global warming to 2 degrees.

According to the notification, there are several common challenges for CCS on industrial sources and fossil-fuelled power generation, but CO₂-captured from industrial sources will in general have another composition than that from fossil-fuelled power generation. Further research and development will therefore be important to improve the process and technologies for capturing carbon dioxide from industrial sources. The transport and storage of carbon dioxide will have identical solutions for both industrial sources and power generation.

The Norwegian authorities consider that the most attractive conditions for capture in the industry sector would be in gas streams with high concentrations of carbon dioxide. Such streams are found in the chemical processes used to produce ammonia from hydrogen, coal-to-liquids and gas-to-liquids processes, in blast furnaces and cement kilns and in the processing of natural gas. For industrial sectors with substantial carbon dioxide emissions, such as cement, iron and steel production, ammonia production and refineries, CCS could, according to the notification, contribute to significant emission reductions. The Norwegian authorities take the view that, in contrast to the power sector, few other alternatives than CCS exists for emissions mitigation in the manufacturing industry sector.

As a result of the amendment, the scheme will be applicable both to R&D&I activities concerning CCS related to energy production and to such activities related to industrial activities, as specified above. Hence, the notified amendment constitutes an expansion of the field of activities eligible for funding under the Gassnova scheme.

II. ASSESSEMENT

1. The presence of state aid

State aid within the meaning of Article 61(1) EEA

Agreement Article 61(1) of the EEA Agreement reads as follows:

“Save as otherwise provided in this Agreement, any aid granted by EC Member States, EFTA States or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Contracting Parties, be incompatible with the functioning of this Agreement.”

In Decision No 302/05/COL and Decision No 786/08/COL, the Authority assessed the aid scheme for research and development concerning gas technologies with improved environmental performance (“Gassnova”) as notified at the time. In these Decisions, the Authority considered that, as far as aid under the scheme was granted to undertakings, the scheme constituted state aid, which was compatible with the functioning of the EEA Agreement.

The current notification only concerns an amendment to the scheme with regard to the possible beneficiaries. Therefore, the Authority considers that this amendment does not alter the assessment made in its previous decisions as regards the classification of the scheme as state aid.

2. Procedural requirements

Pursuant to Article 1(3) of Part I of Protocol 3, “*the EFTA Surveillance Authority shall be informed, in sufficient time to enable it to submit its comments, of any plans to grant or alter aid (...). The State concerned shall not put its proposed measures into effect until the procedure has resulted in a final decision*”.

By submitting a notification of the amendments to the Gassnova scheme, the Norwegian authorities have complied with the notification requirement. As the measure has not been put into effect the Norwegian authorities have also respected the standstill obligation in Article 1(3) of Part I of Protocol 3.

The Authority can therefore conclude that the Norwegian authorities have respected their obligations pursuant to Article 1(3) of Part I of Protocol 3.

3. Compatibility of the aid

In Decision No 786/08/COL, the Authority concluded that the Gassnova scheme is compatible with Article 61(3)(c) EEA read in conjunction with the R&D&I Guidelines.

The current notification proposes to expand the existing Gassnova scheme by making the scheme applicable not only to R&D&I concerning CCS in relation to energy production, but also to include R&D&I with regard to CCS technologies related to industrial sources. The notified amendment constitutes an expansion of the field of activities eligible for funding under the Gassnova scheme. On the basis of the information provided by the Norwegian authorities, the Authority considers the new field of activities to be closely related to the existing fields, in particular since the object of the funding will be R&D&I concerning CCS. It is the view of the Authority that the expansion does not impact on the compatibility of the scheme with the R&D&I Guidelines as assessed in Decision No 786/08/COL.

Hence, the Authority does not raise any objections to the expansion of the Gassnova scheme to also cover CCS technologies related to industrial sources as long as the other conditions of the scheme as approved with Decision No 302/05/COL and Decision No 786/08/COL are respected.

4. Conclusion

On the basis of the foregoing assessment, the Authority considers that the notified amendment to the scheme for research and development concerning gas technologies with improved environmental performance (“Gassnova”) is compatible with the functioning of the EEA Agreement within the meaning of Article 61(3)(c) EEA read in conjunction with the R&D&I Guidelines. Accordingly, the Authority does not raise any objections to the amendment.

The Norwegian authorities are reminded that all plans to modify this scheme must be notified to the Authority.

HAS ADOPTED THIS DECISION:

Article 1

The Authority raises no objections to the notified amendments to the scheme for research and development concerning gas technologies with improved environmental performance (“Gassnova”).

Article 2

This Decision is addressed to the Kingdom of Norway.

Article 3

Only the English language version of this decision is authentic.

Decision made in Brussels, on 15 September 2010.

For the EFTA Surveillance Authority

Per Sanderud
President

Sverrir Haukur Gunnlaugsson
College Member