

EFTA SURVEILLANCE AUTHORITY DECISION

Of 16 March 2017

on the financing of “Concept and FEED Studies” on full-scale CO₂ capture and storage
(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,

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,

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 thereof,

Whereas:

I. FACTS

1 Procedure

- (1) By letter dated 20 January 2017,¹ received and registered by the Authority on that same day, the Norwegian authorities notified the financing of “Concept and Front End Engineering Design (“FEED”)² Studies” related to a proposed carbon capture and storage (“CCS”) project, pursuant to Article 1(3) of Part I of Protocol 3.

2 Background

2.1 CCS technology

- (2) CCS technology is a means of reducing CO₂ emissions, as it enables electricity producers and industrial installations to capture the CO₂ emissions stemming from their production processes and store such CO₂ in underground geological formations. In particular, the CCS process chain has three main stages: (i) CO₂ from the combustion process is captured and

¹ Document No 836948. The letter enclosed a notification form (Document No 836946) and 5 annexes (Documents No 836940, 836942, 836944, 836950 and 836952).

² FEED is basic engineering which comes after the conceptual design or feasibility study. It focuses the technical requirements as well as rough investment cost for the project.

compressed (capture), (ii) the compressed CO₂ is transported by pipeline, truck or tanker to the storage site (transport), and (iii) it is injected for long-term isolation from the atmosphere into geological formations (usually in depleted gas or oil fields or deep saline aquifers) (storage). Although the CCS technology as such is established, it has not yet reached full commercial-scale demonstration level for the whole process chain.

- (3) In the context of the further development of CCS technology, Concept and FEED Studies play an important role as they reduce the uncertainties inherent in the delivery of the CCS projects through achievement of a developed understanding of the risks and issues affecting an individual project.
- (4) The Norwegian authorities intend to finance Concept and FEED Studies on CO₂ capture and storage following a competitive selection procedure. The Norwegian authorities are at present considering different alternatives for the further organisation of the transport element of the CCS chain, which is not part of the notified measure.

2.2 Policy background

- (5) The need for CCS is well documented in reports from the Intergovernmental Panel on Climate Change ("IPCC") and the International Energy Agency ("IEA"). The Authority's guidelines on state aid for environmental protection and energy 2014-2020 ("EEAG") also point to CCS as a technology that can contribute to mitigating climate change,³ and consider aid for CCS to contribute to the common objective of environmental protection.
- (6) The Contracting Parties have declared that CCS technology will play a key role in the fight against climate change.⁴ The CCS Directive provides the legal framework for operators of CCS equipped power plants and industrial applications to subtract safely stored CO₂ from their duties under the Emission Trading System ("ETS") Directive.⁵
- (7) Environmental protection is an important EEA objective. In order to promote the long-term decarbonisation objectives, the Authority considers that aid for CCS contributes to the common objective of environmental protection. The European Union ("EU") is also committed to transforming Europe into a highly energy-efficient, low-carbon economy. The EU has set targets for reducing its greenhouse gas emissions progressively up to 2050 and is working towards meeting them. For 2020, the EU has committed to cutting its greenhouse gas emissions to 20% below 1990 levels. This commitment is one of the headline targets of the Europe 2020 growth strategy and is being implemented through a package of binding legislation and regulations.
- (8) For 2050, the EU has endorsed the objective of reducing Europe's greenhouse gas emissions by 80-95% compared to 1990 levels as part of the efforts by developed countries as a group to reduce their emissions by a similar degree. The European Commission has also published a roadmap for building the low-carbon European economy.⁶

³ Guidelines on state aid for environmental protection and energy 2014-2020 (OJ L 131, 28.5.2015, p. 1 and EEA supplement to the OJ No 30, 28.5.2015, p.1).

⁴ See conclusions of the Council of the EEA, for example the Conclusions of the 38th meeting of the EEA Council, 26.11.2012, Ref. EEE 1607/1/12 REV 1, point 17.

⁵ Directive 2009/31/EC of 23.4.2009 and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006, OJ L 140 5.6.2009, p. 114. This Directive has been incorporated into the EEA Agreement in point 21(1)(a) of Annex XX.

⁶ Available online at: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52011DC0112>.

- (9) The EEA EFTA States have introduced many measures to enhance environmental protection. They are part of the European emission trading system and have *e.g.* quantified emission limitations and reduction objectives under the Kyoto Protocol.
- (10) State aid measures can be effective tools for achieving objectives of common interest, thereby correcting market failures, which improve the functioning of markets and enhance competitiveness. In the EEAG, the Authority has stated that given that the cost of capture, transport and storage is an important barrier to the uptake of CCS, state aid can contribute to fostering the development of this technology.
- (11) In its Nationally Determined Contribution to the Paris Agreement under the UN Framework Convention on Climate Change, the Norwegian Government informed that Norway is committed to a target of at least a 40% reduction of greenhouse gas emissions by 2030 compared to 1990 levels. The emission reduction target will be developed into an emissions budget covering the period 2021-2030.

2.3 The Norwegian CCS strategy

- (12) The Norwegian authorities have supported CCS technology development for more than 10 years. Their ambitions are formulated against the backdrop of the dual challenge of the need for mitigating climate change and the increasing global demand for energy.
- (13) The Norwegian CCS strategy encompasses a wide range of activities, including research, development and demonstration, work on the realisation of large-scale demonstration facilities, transport, storage and alternative use of CO₂ and efforts to promote CCS on a global scale. It is crucial that the first CCS projects serve as reference projects and generate the greatest possible amount of knowledge and that they establish necessary infrastructure, thereby contributing to the further deployment and dissemination of large-scale CCS internationally. Moreover, the success of the first projects may stimulate CCS deployment on a commercial basis. The strategy aims at identifying measures to promote technology development and to reduce the costs of CCS.
- (14) The Norwegian Government presented its CCS strategy in the budget proposition to the Norwegian Parliament, *Stortinget*, in October 2014.
- (15) An important part of the strategy is the Norwegian Government's ambition to realise at least one full-scale CCS demonstration project by 2020.

2.4 Gassnova SF (“Gassnova”)

- (16) Gassnova is an administrative body that was established through a decision of the Norwegian Government and has been operating since 3 January 2005. Gassnova reports to the Ministry of Petroleum and Energy (“the Ministry”).⁷
- (17) The Ministry tasked Gassnova with performing an analysis on potential full-scale CCS projects in Norway, in particular the part concerning CO₂ capture and storage.

3 Description of the measure

- (18) The notified measure concerns the financing of Concept and FEED Studies on CO₂ capture and storage.

⁷ Further information on Gassnova can be found on its website; <http://www.gassnova.no/en>.

3.1 Objective

- (19) The objective of the notified measure is to support Concept and FEED Studies for full-scale CCS demonstration projects. The decision-making for these projects will follow industrial practice for high CAPEX projects (*i.e.* projects that require large investments).⁸ It is standard industry practice that such projects include a Concept and FEED phase to control project expenses, reduce risk and provide the necessary information as basis for investment decision.
- (20) Currently, the CCS project is between the feasibility phase and the Concept and FEED phase. The results and report from the feasibility phase were delivered on 4 July 2016.⁹ The purpose of the studies has been to document technical and commercial feasibility for at least one CCS chain with a cost estimate uncertainty of approximately +/-40%. The results from the feasibility studies show that it is technically feasible to realise a CCS chain in Norway.
- (21) The main intention behind the Concept Studies is to consider different concepts in each of the sub-projects and select the preferred concepts to mature into the FEED phase. A typical concept selection decision is which capture technology or development concept to mature.
- (22) In the FEED phase, the selected concepts are further detailed, both technically and commercially, in order to support an investment decision. In order to present a cost estimate with sufficient confidence for an investment decision, the uncertainty requirement is set to a maximum of +/-20%. To accommodate such low uncertainty range, extensive engineering work is required as basis for the cost estimate to reduce the risks related to the project. After, and if, an investment decision has been made, the project will move into detailed engineering and construction phase, before it is put into operation.
- (23) The CCS project is subject to external quality assurance under the Norwegian State's quality assurance process for large public investments. The report from the external quality assurance team was finalised 7 October 2016. Their preliminary conclusions have been the basis for the Norwegian authorities' decision to continue the project into the Concept phase.

3.2 The feasibility studies

3.2.1 General

- (24) The Ministry tasked Gassnova with the feasibility studies for CO₂ capture. The Ministry itself procured the feasibility studies for storage, and held the contract with the provider, but responsibility for following up the delivery of the studies was delegated to Gassnova.
- (25) The feasibility studies included carrying out technical studies of all elements of the CCS project, developing a design basis for the whole chain and delivering a cost estimate at +/-40% uncertainty for investment and operation of each element of the chain. The feasibility studies also included setting a schedule and scope for the Concept and FEED Studies, and a preliminary schedule and scope for the work necessary to reach an investment decision. On 4 July 2016, the Ministry presented the results of the feasibility studies.¹⁰

3.2.2 Capture

- (26) According to the mandate from the Ministry, the target group for feasibility studies was owners of existing sources with an annual CO₂ emission of more than 400,000 tons.

⁸ Capital expenditure (CAPEX) are funds used by a company to acquire or upgrade physical assets.

⁹ The English version of the feasibility study report is available online at: http://www.gassnova.no/no/Documents/Feasibilitystudy_fullscale_CCS_Norway_2016.pdf.

¹⁰ The feasibility study report in English is available online at: http://www.gassnova.no/no/Documents/Feasibilitystudy_fullscale_CCS_Norway_2016.pdf.

However, there was an opening to include emission sources with an annual emission of less than 400,000 tons provided that the project in question could provide sufficient value in terms of technology development, global potential and increased knowledge.

- (27) Gassnova contacted all owners of existing sources who potentially could fulfil the requirements in the mandate. All potential candidates were given the same opportunity to submit their interest in participating in feasibility studies, and all provided input as to whether capturing CO₂ from their emission sources was considered relevant, based on their self-assessment of technical, commercial and financial considerations.
- (28) Ultimately, three owners of existing emission sources (Yara AS, Norcem AS and Energigjenvinningsetaten (*i.e.* the waste recovery department in Oslo Municipality)) confirmed that their emission sources fulfilled the criteria and reported an interest in participating in feasibility studies for CO₂ capture.
- (29) As the services fell outside the scope of the Norwegian rules on public procurement, Gassnova applied the principles for pre-commercial procurement.¹¹ The three emission owners were thus presented with a scope of work based on Gassnova's mandate for the feasibility studies, and reverted with offers. Based on the offers, Gassnova entered into negotiations with each of the owners. The subject matter of the negotiations were the commercial terms, both with regard to the owner's own contribution and their respective hourly rates for the project. Following the negotiations, Gassnova entered into agreements on financing of feasibility studies concerning CO₂ capture, with the three emission owners.
- (30) The feasibility studies assessed potential capture facilities and their integration into existing facilities at three different locations and for three different industries: Norcem's cement factory at Brevik, Yara's ammonia plant at Porsgrunn (which has three CO₂ emissions points) and Oslo Municipality's Klemetsrudanlegget AS' waste incineration plant in Oslo. Conditioning and compression of CO₂ were examined, as well as solutions for interim storage and loading system for further ship transport. The feasibility studies showed that CO₂ capture is technically feasible at all three emission locations.

3.2.3 Storage

- (31) The Ministry contracted the feasibility studies for storage following a public procurement process. A notice to participate in a negotiated procedure, including the minimum requirements and a description of the service was announced, both nationally and in the EU in October 2015.
- (32) The documents set out the aim of the feasibility studies, namely to identify and study at least two suitable CO₂ storage locations on the Norwegian continental shelf. These locations would have to be technically and economically feasible for further Concept and FEED Studies. The candidates would be free to assess storage locations within the area of the Norwegian continental shelf open to petroleum activity. All qualified candidates were invited to deliver tenders. Qualification criteria included relevant experience for the task to study CO₂ storage, which was defined as experience with either studies of CO₂ storage, or other experience with gas storage, or experience with exploration and development of oil and gas fields.

¹¹ See the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions; Pre-commercial Procurement: Driving innovation to ensure sustainable high quality public services in Europe, OJ C 67E, 18.3.2010, p. 10 - 15.

- (33) Only one candidate, Statoil ASA, requested participation. As Statoil met the minimum requirements, an invitation to tender was issued. On 2 December 2015, the Ministry received an offer from Statoil and following negotiations a contract was signed on 4 January 2016.
- (34) Following the feasibility studies, Gassnova considered a solution for developing a CO₂ storage site with onshore facilities and a pipeline to the Smeaheia area as the best solution, given the project's objective. The Smeaheia area is located east of the "Troll" field, approximately 50 km from the coast. This solution has the lowest implementation risk, large storage capacity and it is relatively easy to develop the capacity of the infrastructure.

3.3 The work in the Concept and FEED phase

- (35) In the Concept and FEED phase, the technical and commercial basis for the project, will be matured.
- (36) The feasibility studies have delivered a cost estimate for the various sub-projects which provides +/- 40% uncertainty for investment and operation of each element of the chain. However, in order to present a cost estimate with sufficient confidence for a concept decision, the uncertainty needs to be further reduced.
- (37) The following are examples of activities to be performed by the successful bidder during the Concept and FEED phase within the main areas:

3.3.1 *Technical*

- (38) The basis of design defining, *e.g.* the functional requirements and relevant specifications for the operation of the CCS chain, will be developed and established.
- (39) Moreover, the required modifications and new installations will be engineered. This includes studies on how new modifications can be integrated to existing plants with minimum disturbance of existing operations, high efficiency and low cost.
- (40) Finally, the need for technology qualification will be identified and a technology maturation plan, with the objective to provide documentation that new technology meets the specified requirements for the intended use, will be established.

3.3.2 *Project management and procurement*

- (41) A project execution and procurement strategy will be developed and established describing *e.g.* process and formats for setting contracts, market considerations, etc. Moreover, bids will be obtained from potential sub-contractors.

3.3.3 *Project control*

- (42) Based on the engineering work, cost estimates will be established for investment and operation. Cost risk analyses will be performed to document the cost estimate uncertainty. The project execution plans consistent with the project master plan will also be established.
- (43) The successful bidder will prepare and carry out Environmental Impact Analyses in order to document and reduce the environmental footprint of the project.¹²

¹² Carrying out EIA is standard industry practice for projects of this size and complexity. The EIA is focusing on potential negative impacts caused by a project and is an important basis for the authorities' decision to approve large industrial projects in Norway.

- (44) Moreover, Hazard and Operability studies will be performed, in order to identify and evaluate potential risks to personnel or equipment, and risks that could prevent efficient operation.

3.3.4 *Commercial/economical*

- (45) The consequences of cost, risk and opportunity sharing principles between the State and the involved industrial companies as a basis for establishing necessary agreements will be analysed. The beneficiaries must finalise their business case in order to obtain necessary decisions.

3.3.5 *Operations and Maintenance*

- (46) The strategies and plans for commissioning, start-up, operation and maintenance, in order to prepare for efficient and safe operations of the CCS-chain, will be established.

3.3.6 *Storage facility closure*

- (47) The strategies and plans for the storage facilities' closure and subsequent monitoring will be established.

3.3.7 *Fulfilment of Ministry's project objectives*

- (48) The strategies and plans to transfer learning, knowhow and experience with development and operation of CCS will be established. The financing contracts will thus include knowledge-sharing obligations.

3.4 **The beneficiaries**

- (49) The direct beneficiaries of the measure will be those companies which are chosen to perform the Concept and FEED Studies. Those companies will be selected through a competitive process and will be remunerated for their services. Since the service providers will be selected on market terms, they will not receive an advantage that they would not have obtained under normal market conditions.¹³
- (50) However, the indirect beneficiaries of the measure are the owners of the facilities that have been identified through the feasibility studies on capture as eligible for the Concept and FEED Studies. These undertakings will potentially receive an advantage in the form of project specific knowhow which could later form the basis for an investment in CCS infrastructure at their facilities. As previously noted, Gassnova has identified three owners of existing emission sources (Yara AS, Norcem AS and Klemetsrudanlegget AS) that fulfil the criteria for participating in feasibility studies for CO₂ capture. As concerns storage, the potential indirect beneficiary is the undertaking which will eventually be chosen as the provider for the CCS storage project. As the Smeaheia area is currently unlicensed, and since all information and data is public, any interested storage provider can compete for the project. At this stage, it is therefore unclear whether the eventual indirect beneficiary will be Statoil ASA, which participated in the feasibility studies and helped identify the suitable location for the studies of CO₂ storage, or another storage provider.*
- (51) Yara AS was established in 1905 as Norsk Hydro and demerged as Yara International ASA in 2004. The company is headquartered in Oslo, Norway, and is listed on the Oslo Stock Exchange. In 2015, it employed 12,883 people and its revenues amounted to NOK 111.9

¹³ See the Authority's Decision No 91/12/COL of 15.3.2012 on Aid for the Development Phase of the Mongstad CCS Facility (OJ C 284, 20.9.2012, p. 12 and EEA Supplement No 51, 20.9.2012, p.1), paragraphs 59-60.

* Paragraph 50 has been amended by the Authority's Decision No 086/17/COL.

billion. Yara is the world's largest producer of ammonia, nitrates and NPK's (nitrogen, phosphorus and potassium).¹⁴

- (52) Norcem AS is the sole producer of cement in Norway. Norcem AS is a part of the worldwide group HeidelbergCement, which employs around 45,450 people in more than 40 countries. Norcem AS is an international supplier of cement, and its markets are situated in the US, the UK, Iceland, Russia and Western Africa. Norcem's plants in Brevik and Kjølsvik are among the most modern in Europe as far as energy consumption and limitation of emissions are concerned.¹⁵
- (53) Klemetsrudanlegget AS was demerged from Oslo Municipality's waste recovery department in 2015. Klemetsrudanlegget operates the largest energy recovery plant in Norway. The facility was put into operation in autumn 1985 and a new incinerator was inserted in 2011. The plant recycles household and commercial waste from Oslo, neighboring communities and from abroad. The heat energy from the incineration of waste is used to produce hot water, which is utilised in Oslo's district heating systems and for the production of electricity.¹⁶
- (54) Statoil ASA is a vertically integrated energy company active on the whole value chain from the exploration of crude oil and gas over refinery activities to the wholesale and retail sale of petrol and gas. The company is the number one offshore operator in the world and the second largest supplier of natural gas to the European market. Statoil also plays an active role in the field of CCS, and has for many years been running carbon capture projects of various sizes in Norway and Algeria.¹⁷ The Norwegian State – through the Ministry – currently holds 67% of the shares in Statoil.¹⁸

3.5 The competitive process

3.5.1 General

- (55) The competitive process for awarding public financing for the construction and operation of a CO₂ capture facility is divided into two main phases: (i) the financing of the Concept and FEED phase, and (ii) the award of financing of construction and operation of the CO₂ capture facility. The notified measure only concerns the first phase.
- (56) The competitive process for financing falls outside the scope of the formal public procurement rules. However, it will nevertheless be carried out in accordance with the general principles and framework of a restricted negotiated procedure. Thus, the process will begin with a pre-qualification procedure and a selection of candidates who will be invited to submit bids for financing of Concept and FEED Studies.
- (57) Following negotiations, there will be an evaluation of the bids based on the award criteria that apply to the Concept phase, as set out in the tender documents. Subject to the available concepts and execution/operation estimates, the intention is to perform a screening process, and potentially reduce the number of recipients of public financing for FEED Studies, following an assessment of the received offers and the criteria outlined in the tender documents.

¹⁴ For further information concerning Yara AS., see: http://yara.com/about/at_a_glance/.

¹⁵ For further information concerning Norcem AS., see: http://www.norcem.no/en/about_us.

¹⁶ For further information concerning Klemetsrudanlegget AS., see: <http://www.kea-as.no/>.

¹⁷ See: <https://www.statoil.com/content/statoil/en/what-we-do.html#decommissioning>.

¹⁸ See Statoil Annual Report for 2015: <https://www.statoil.com/content/dam/statoil/documents/annual-reports/2015/statoil-2015-annual-report-on-form-20-F.pdf>.

- (58) The contract for financing of Concept Studies with an option for financing of FEED Studies will be awarded to up to three recipients depending on the quality and cost of the bids received, and the available budget funds for Concept and FEED Studies.

3.5.2 *The tender process for the capture Concept and FEED phase*

- (59) As previously noted, the competitive process for selecting recipients of financing of the Concept and FEED phase will be carried out in accordance with the principles and framework of a restricted negotiated procedure under the public procurement rules, albeit with certain adjustments to adapt to the specific situation.
- (60) The Norwegian authorities announced the pre-qualification process on 26 October 2016. The timeline in the tender documents indicates completion of the first phase of the competitive process, *i.e.* the award of the contracts for financing of Concept and FEED Studies with respect to CO₂ capture, by April 2017.¹⁹
- (61) The qualification documents include all requirements, which potential tenderers must fulfil, in order to be qualified for the competition. In addition to basic requirements regarding tax, VAT and HSE (health, safety and the environment), the tenderers must document that they fulfil certain minimum requirements with respect to financial solidity and technical competence/qualifications and organisation to carry out both the Concept and FEED phase and the construction and operation phase.²⁰
- (62) Following negotiations, Gassnova will evaluate the bids and award the financing contract(s) with respect to the Concept and FEED phase. Subject to the available concepts and execution/operation estimates, a screening process is intended to be performed, potentially reducing the number of recipients of public financing for FEED Studies.

3.5.3 *The tender process for the storage Concept and FEED phase*

- (63) Based on the results from the feasibility study, Gassnova, on 26 October 2016, announced the financing of Concept and FEED Studies for a CO₂ storage site with onshore facilities and a pipeline to the "Smeaheia" area. The deadline for qualification was 11 November 2016. On 8 December 2016, the tender documents were sent to the qualified candidates, with a deadline for bids until 10 February 2017.
- (64) The competitive process for awarding public financing for Concept and FEED Studies on CO₂ storage, as well as financing of the subsequent construction and operation phase will be based on similar principles and procedures, as set out in paragraphs (59) to (62) above, with respect to capture. However, Gassnova considers encouraging the involvement of additional companies at a later stage in the planning phase of the storage project. Such involvement could be necessary from a safety perspective and could be beneficial for knowledge sharing.

3.6 Budget

- (65) The cost of the Concept and FEED phase for all sub-projects depends on a number of factors, including how many candidates will be selected. In the budget proposition for 2017, the Norwegian Government proposed to grant NOK 360 million for the continued planning of a full-scale CCS facility in Norway. This includes planning costs for all three parts of the chain for 2017. The Norwegian Parliament approved the budget on 14 December 2016.

¹⁹ Document No 836942.

²⁰ Document No 836950.

- (66) The principle of remuneration for the aid recipients will be based on the principle of cost coverage. Therefore, the proportion of state aid can be up to a 100%. The Norwegian authorities will nevertheless aim to incorporate an element of the bidders' own contribution/financing in the competitive process. However, given that there is no guarantee that participation in the concept development work will lead to continued award of financing of the FEED work, and eventual award of financing for the construction and operation phase, there is a real risk that candidates may be reluctant to contribute to the financing, since the studies will be of minor or no commercial value if the candidate is not selected for the next phase.

4 Comments by the Norwegian authorities

- (67) The Norwegian authorities acknowledge that the financing of Concept and FEED Studies of CO₂ capture and storage will constitute state aid within the meaning of Article 61(1) EEA.
- (68) The Norwegian authorities note that Article 61(3)(c) of the EEA Agreement provides that aid "to facilitate the development of certain economic activities" may be considered to be compatible with the functioning of the EEA Agreement where such aid "does not adversely affect trading conditions to an extent contrary to the common interest". The Norwegian authorities further note that Chapter 3.6 of the EEAG applies to financing of CCS projects. Although not directly applicable to the notified measure, the Norwegian authorities consider it appropriate to take into account the relevant principles of the EEAG, particularly Chapter 3.6, when assessing compatibility in the present case.
- (69) The Norwegian authorities submit that the conditions set out in Chapter 3.6 of the EEAG are met, and that the planned financing of the Concept and FEED Studies for CO₂ capture and storage is therefore compatible with the functioning of the EEA Agreement based on a direct application of its Article 61(3)(c).

II. ASSESSMENT

1 The presence of state aid

- (70) Article 61(1) of the EEA Agreement states that a measure constitutes state aid if the following conditions are cumulatively fulfilled: the measure (i) is granted by the State or through state resources; (ii) confers a selective economic advantage on the beneficiary; (iii) is liable to affect trade between Contracting Parties and to distort competition.
- (71) The Norwegian authorities acknowledge that the planned financing of Concept and FEED Studies of CO₂ capture and storage fulfils the cumulative criteria in Article 61(1) of the EEA Agreement.
- (72) Firstly, the financing will be funded by the Norwegian State budget and granted to the beneficiaries through Gassnova, which reports directly to the Ministry of Petroleum. The Authority therefore considers that the measure is financed through State resources.
- (73) Secondly, the measure is selective, since the financing is granted only to the winners of the tender competitions, as laid out in Section 3.5 of Part I above. Through the financing the recipients will gain competitive advantages that they would not have obtained under normal market conditions. The Norwegian authorities note in this respect that companies usually undertake Concept and FEED Studies at their own expense. Further, the financing will enable the recipients to stay in the competition for the next phases of the CCS project, and they are likely to obtain some, albeit limited, additional expertise in connection with the Concept and FEED Studies. The financing of the studies by the Norwegian authorities thus constitutes a selective advantage for the beneficiaries.
- (74) Finally, as described in Section 3.4 of Part I, there are at least four potential aid beneficiaries in this case, *i.e.* Yara AS, Norcem AS, Klemetsrudanlegget AS and Statoil ASA. Yara is the world's largest supplier of mineral fertilizer, Norcem is a large exporter of cement and active in markets all over the world, Klemetsrudanlegget provides district heating and produces electricity using *inter alia* imported waste, and Statoil is both the largest offshore operator in the world and the second largest supplier of natural gas in Europe. All of the potential aid recipients are thus to some degree engaged in cross-border activities and active in sectors where competition and trade within the EEA take place. The measure is therefore liable to distort competition and to affect trade between Contracting Parties.*
- (75) For these reasons, the Authority concludes that the notified measure constitutes state aid, within the meaning of Article 61(1) of the EEA Agreement.

2 Procedural requirements

- (76) 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.*”
- (77) By submitting a notification of the aid measure, the Norwegian authorities have complied with the notification requirement, set out in Article 2 of Part II of Protocol 3. The measure has not been put into effect and is conditional on the Authority's approval. The Norwegian authorities have therefore complied with the standstill obligation. The Authority concludes

* Paragraph 74 has been amended by the Authority's Decision No 086/17/COL.

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

3 Compatibility of the aid

3.1 Legal framework

- (78) Pursuant to Article 61(3)(c) of the EEA Agreement, aid to facilitate the development of certain economic activities or of certain economic areas may be considered compatible with the functioning of the EEA Agreement, where such aid does not adversely affect trading conditions to an extent contrary to the common interest. For measures such as the one at hand, the Authority has further spelled out the conditions for compatibility in the EEAG.
- (79) According to Chapter 3.6 of the EEAG, state aid may be provided to support fossil fuel and/or biomass power plants or other industrial installations equipped with CO₂ capture, transport and storage facilities, or individual elements of the CCS chain. The Chapter allows for operating and investment aid, but the aid must be limited to the additional costs for capture, transport and storage of the CO₂ emitted. However, the Concept and FEED Studies supported by the notified measure do not directly result in any CO₂ being captured. Moreover, although the studies might precede an eventual investment, the outcome might also (depending on the result of the studies) be that no investment will be undertaken. Therefore, it is the Authority's view that the costs of the Concept and FEED Studies cannot be considered as operating or investment aid for CCS projects within the meaning of Chapter 3.6 of the EEAG.
- (80) Moreover, Chapter 3.2 of the EEAG provides that: "*Environmental studies can contribute to achieving a common objective when they are directly linked to investments eligible under these Guidelines, also if following the findings of a preparatory study, the investment under investigation is not undertaken.*". Although the concept of "environmental studies" is not defined in the EEAG, there is a definition in the General Block Exemption Regulation ("the GBER") where it is *inter alia* stated that environmental studies can help to identify the investments necessary to achieve a higher level of environmental protection.²¹ Moreover, paragraph 49 of the GBER mentions energy audits as one form of environmental studies. The above definition would suggest that the concept of "environmental studies" is limited to studies that are in some way related to the environmental effects of specific measures or investments, and that their goal is to ascertain whether and how an investment will lead to a higher level of environmental protection. However, the environmental benefit of CCS technology has been known for a long time and has been the subject of several studies. Therefore, the purpose of the Concept and FEED Studies for CO₂ capture and storage is not to assess the environmental effects of the potential CCS project or whether it will lead to a higher level of environmental protection. Instead, the studies are necessary to develop and select the appropriate concept for the eventual capture and storage facility, as well as to carry out necessary engineering and design works, in order to reduce uncertainties with respect to costs. Consequently, the Authority considers that Concept and FEED Studies cannot be considered as constituting environmental studies, within the meaning of Chapter 3.2 of the EEAG.
- (81) Prior to the inclusion of an aid category for CCS projects in the EEAG (in 2014), the Authority and the European Commission assessed and approved a number of measures concerning state aid for CCS projects or the development of CCS, under the general

²¹ Commission Regulation (EU) No 651/2014 of 17.6.2014 declaring certain categories of aid compatible with the internal market in application of Article 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1 and EEA Supplement No 23, 23.4.2012, p. 813-890) paragraph 68, incorporated into Annex XC to the Agreement by Joint Committee Decision No 152/2014 of 27.6.2014 (OJ L 342, 27.11.2014, p. 63).

requirements in Article 61(3)(c) of the EEA Agreement and Article 107(3)(c) TFEU, respectively.²² These decisions covered *inter alia* the financing of the development phase of CCS projects and the financing of FEED Studies.²³ Therefore, there is precedence for assessing the compatibility of Concept and FEED Studies for potential CCS projects directly under Article 61(3)(c) of the EEA Agreement.

- (82) In light of the above, the Authority considers that the direct application of Article 61(3)(c) of the EEA Agreement is the correct legal framework for the compatibility assessment of the measure. However, since the aid ultimately has an environmental objective, the Authority finds that the EEAG can be used for general insights into relevant principles for this assessment.²⁴
- (83) In assessing whether an aid measure can be deemed compatible with the functioning of the EEA Agreement, the Authority balances the positive impact of the aid measure in reaching an objective of common interest against its potentially negative side effects, such as distortion of trade and competition. The assessment is based on the following common assessment principles:²⁵
1. Contribution to a well-defined objective of common interest;
 2. need for state intervention;
 3. appropriateness of state aid as a policy instrument;
 4. existence of an incentive effect;
 5. proportionality of the aid amount (aid limited to minimum necessary);
 6. avoidance of undue negative effects on competition and trade; and
 7. transparency.

²² See for example the Authority's Decision No 503/08/COL of 16.7.2008 on the Mongstad Test Center (OJ C 297, 20.11.2008, p. 11 and EEA Supplement No 69, 20.11.2008, p. 2); the Authority's Decision No 27/09/COL of 29.1.2009 on the Carbon Capture and Storage Project at Kårstø (OJ C 150, 2.7.2009, p. 8 and EEA Supplement No 35, 2.7.2009, p.1); Commission Decision N74/2009 of 8.4.2009 on United Kingdom - CCS Demonstration Competition – Feed (OJ C 203, 28.8.2009, p. 2); Commission Decision N381/2010 of 27.10.2010 on The Netherlands – Aid for a CCS Project in the Rotterdam Harbour Area (OJ C 149, 20.5.2011, p. 3); Commission Decision N190/2009 on The Netherlands – CO2 Catch-up Pilot Project at Nuon Buggenum Plant (OJ C 238, 3.9.2010, p. 1); the Authority's Decision No 91/12/COL of 15.3.2012 on Aid for the Development Phase of the Mongstad CCS Facility (OJ C 284, 20.9.2012, p. 12 and EEA Supplement No 51, 20.9.2012, p.1) and Commission Decision SA.35050 of 20.3.2013 United Kingdom Aid scheme for CCS Commercialisation Programme FEED Studies (OJ C 265, 14.9.2013, p. 1).

²³ See the Authority's Decision No 91/12/COL of 15.3.2012 on Aid for the Development Phase of the Mongstad CCS Facility (OJ C 284, 20.9.2012, p. 12 and EEA Supplement No 51, 20.9.2012, p.1) and Commission Decision SA.35050 of 20.3.2013 United Kingdom Aid scheme for CCS Commercialisation Programme FEED Studies (OJ C 265, 14.9.2013, p. 1).

²⁴ See for example the Authority's Decision No 476/15/COL of 11.11.2015 not to raise objections to individual aid in favour of Tizir Titanium & Iron AS for the construction of a demonstration plant in Tyssedal (OJ C 73, 25.2.2016, p. 8 and EEA Supplement No 11, 25.2.2016, p.1), paragraph 171.

²⁵ See the Authority's Decision No 248/11/COL of 18.7.2011 on the Norwegian Energy Fund scheme (OJ C 314, 27.10.2011, p. 4 and EEA Supplement No 58, 27.10.2011, p. 2), paragraph 87.

3.2 Detailed assessment of the notified measure

3.2.1 Objective of common interest

- (84) State aid must aim at a well-defined objective of common interest. An objective of common interest is an objective that has been recognised by the Contracting Parties as being in their common interest. The Authority acknowledges that the protection of the environment is an objective in the common interest.
- (85) The Norwegian authorities emphasise that Concept and FEED Studies are an integrated element of the CCS project as a whole. Therefore, regard must be had to the overall objective of the full-scale CCS project of which the Concept and FEED phase is a necessary part when assessing whether Concept and FEED Studies concern an objective of common interest.
- (86) The Authority has explicitly acknowledged that CCS contributes to a common objective of environmental protection. The importance of CCS has also been recognised at EU level, as it is part of the EU 2020 environmental objectives.
- (87) As described in Section 2.2 of Part I above, the Contracting Parties have declared that the protection of the environment and the reduction of CO₂ emissions are in their common interest and that the CCS technology will play a key role in that regard.²⁶ Therefore the Contracting Parties are generally supportive of aid for the CCS technology. This is also confirmed by the wording of paragraph 155 of the EEAG, which stresses the strategic importance of this technology for the EEA in terms of energy security, reduction of greenhouse gas emissions. On that basis, the EEAG state that “[...] *the Authority considers that the aid for CCS contributes to the common objective of environmental protection.*”. Against this background, both the European Commission and the Authority have recognised that the development of CCS demonstration projects is in the common interest of the Contracting Parties.²⁷
- (88) Based on the above, the Authority concludes that the aid measure is aimed at a well-defined objective of common interest, *i.e.* the promotion of environmental protection.

3.2.2 Market failure – the need for state intervention

- (89) In order to assess whether state aid is effective to achieve the identified objective of common interest, it is necessary first to identify and define the problem that needs to be addressed. State aid should be targeted towards situations where aid can bring a material improvement that the market alone cannot deliver, for example by remedying a market failure or addressing an equity or cohesion concern.²⁸

²⁶ See conclusions of the Council of the EEA, for example Conclusions of the 38th meeting of the EEA Council, 26.11.2012, Ref. EEE 1607/1/12 REV 1, point 17.

²⁷ See for example the Authority’s Decision No. 503/08/COL of 16.7.2008 on the Mongstad Test Center (OJ C 297, 20.11.2008, p. 11 and EEA Supplement No 69, 20.11.2008, p. 2), paragraph 18; the Authority’s Decision No. 27/09/COL of 29.1.2009 on the Carbon Capture and Storage Project at Kårstø (OJ C 150, 2.7.2009, p. 8 and EEA Supplement No 35, 2.7.2009, p.1), paragraph 17 et seq; Commission Decision N74/2009 of 8.4.2009 on United Kingdom - CCS Demonstration Competition – Feed (OJ C 203, 28.8.2009, p. 2), paragraph 28; Commission Decision N381/2010 of 27.10.2010 on The Netherlands – Aid for a CCS Project in the Rotterdam Harbour Area (OJ C 149, 20.5.2011, p. 3), paragraph 52 et seq.; Commission Decision N190/2009 on The Netherlands – CO₂ Catch-up Pilot Project at Nuon Buggenum Plant (OJ C 238, 3.9.2010, p. 1), paragraph 36 et seq.17.

²⁸ See point (29) of the EEAG.

- (90) According to the Norwegian authorities, there is still a market failure in the CCS market, since the costs are significant and it is not yet profitable to invest large amounts in decarbonisation.
- (91) There have been several EEA initiatives to address negative externalities, such as ETS, a market-based instrument to incentivise CO₂ emission reductions. However, ETS is not yet sufficient to ensure the achievement of the EEA's long-term decarbonisation objectives. It is therefore noted in the EEAG that the aid for CCS addresses a residual market failure, unless the Authority has evidence that such remaining market failure no longer exists.²⁹ The Authority has not received any such evidence and thus the presumption that a market failure exists still applies.
- (92) The public financing of the Concept and FEED Studies is aimed at addressing this market failure. Without the aid, the studies would not be conducted and without studies, such as these, the CCS market would likely remain in its present state.
- (93) In light of the above considerations, the Authority concludes that state intervention is needed in order to address the defined market failure.

3.2.3 *Appropriateness of state aid*

- (94) State aid must be an appropriate instrument to address the identified objective of common interest. An aid measure is not compatible with the functioning of the EEA Agreement if the same positive contribution to the common objective is achievable through other less distortive policy instruments or other less distortive types of aid instruments.
- (95) In the EEAG, it is highlighted that without prejudice in particular to EEA regulation in the field, the Authority presumes the appropriateness of aid for CCS projects provided all other conditions of the guidelines are met. This applies to both operating and investment aid.³⁰ Moreover, the Authority notes that it has reached a similar conclusion in its decision concerning the development phase of the Mongstad CCS facility in Norway, where it found that neither regulatory instruments, nor taxation instruments would be appropriate instruments in order to achieve the objective.³¹
- (96) The Norwegian authorities have assessed the different potential instruments to address the identified market failures.
- (97) The Authority considers that it would not be less distortive to grant aid only for the final CCS projects without granting aid for the Concept and FEED Studies on capture. As noted above, Concept and FEED Studies constitute integrated parts and necessary steps towards a successful realisation of the CCS full-scale project. Therefore, financing of only the construction and operation phase of the project, the likely consequence of which would be that Concept and FEED Studies would not be carried out and in fact result in more state aid and a higher risk of overcompensation with regard to the full scale CCS project as such.³²
- (98) Moreover, other measures, such as sectorial regulation, pricing mechanisms etc. are not better suited to achieve the objective of common interest. The Norwegian authorities have

²⁹ See point (157) of the EEAG.

³⁰ See point (158) of the EEAG.

³¹ See the Authority's Decision No 91/12/COL of 15.3.2012 on Aid for the Development Phase of the Mongstad CCS Facility (OJ C 284, 20.9.2012, p. 12 and EEA Supplement No 51, 20.9.2012, p. 1), paragraphs 70-72.

³² See for example Commission Decision SA.35050 of 20.3.2013 United Kingdom Aid scheme for CCS Commercialisation Programme FEED Studies (OJ C 265, 14.9.2013, p. 1), paragraph 74.

also demonstrated that a less distortive aid instrument, *e.g.* a loan or a guarantee, would not be suitable in this case.

- (99) The Authority accordingly concludes that state aid is appropriate and that the notified measure uses the appropriate instrument to achieve its objectives.

3.2.4 *Incentive effect*

- (100) State aid is only compatible with the functioning of the EEA Agreement if it has an incentive effect. An incentive effect occurs when the aid induces the beneficiary to change its behaviour to further the identified objective of common interest, a change in behaviour, which it would not undertake without the aid.
- (101) The Norwegian authorities have highlighted that there are considerable costs involved in Concept and FEED Studies, and in turn, no prospects of earning any direct revenues. According to the Norwegian authorities, any advantage stemming from the Concept and FEED Studies by way of increased expertise is also limited. Thus, any increased knowhow will not in itself create sufficient incentives to carry out the studies. The Norwegian authorities are therefore convinced that if they do not grant aid to carry out the Concept and FEED Studies, the studies would simply not take place. In support of this assumption, the Norwegian authorities point to the relatively modest interest from market players to participate in the feasibility studies.
- (102) The Authority notes that the European Commission has found that based on the prices of CO₂ allowances, operators are also not likely to retain disproportionately high returns (or any return at all) from the investment in own-funded FEED Studies.³³ Moreover, since FEED Studies are highly project/site specific, the knowledge acquired either cannot largely be reused for different projects or retained in the form of intellectual property rights (“IPR”).³⁴
- (103) However, an operator could have incentives to engage in development studies (such as Concept and FEED Studies), if the costs would be offset by high profits, once the project materialised. There are indeed projects which are characterised by high costs in the development phase and low production costs combined with high profits in the operational phase (*e.g.* in the pharmaceutical sector). If the Authority would limit itself to the assessment of the costs and benefits of the development phase, projects with high development costs could receive high aid amounts even if the development costs would be offset by high profits once the project materialises. Consequently, as a matter of principle, the Authority generally has to take into account the costs and benefits of the entire project in the context of the state aid assessment.³⁵
- (104) The winning bidders in the Concept and FEED Studies will also be able to compete for the award of a full project contract. However, the decision whether to proceed to the next phase (*i.e.* construction and operation) will be taken based, *inter alia*, on the results of the Concept and FEED Studies. There is thus no guarantee that the Norwegian authorities will make their decision concerning the granting of aid for the construction/operation phase and the

³³ See for example Commission Decision SA.35050 United Kingdom Aid scheme for CCS Commercialisation Programme FEED Studies (OJ C 265, 14.9.2013, p. 1), paragraph 81.

³⁴ *Ibid*, paragraph 82.

³⁵ See the Authority's Decision No 91/12/COL of 15.3.2012 on Aid for the Development Phase of the Mongstad CCS Facility (OJ C 284, 20.9.2012, p. 12 and EEA Supplement No 51, 20.9.2012, p.1), paragraph 77.

parameters of such aid are subject to the studies, which should be carried out under the notified measure.

- (105) Moreover, CCS is a risky technology and the costs, benefits and risks of the potential full-scale CCS project are subject to the presently notified studies. In that regard, it seems justifiable that the Norwegian authorities have not provided a detailed analysis of the estimated costs and benefits of the final CCS project. The benefits of such a facility would also depend on the cost of CO₂, which is subject to political choices (e.g. the carbon cap of future phases of the Emission Trading System), as well as economic developments (e.g. the drop in carbon price because of the financial and economic crises). Irrespective of the uncertainties with regard to the development of the carbon price in the future, there are currently no indications justifying the assumption that the carbon price would exceed the estimated costs of capture.
- (106) When assessing aid for the development phase of the Mongstad CCS facility in Norway, the Authority found that the project as a whole would not bring profits that could off-set the development costs and the uncertainty that the project would be realised.³⁶ The European Commission has similarly concluded that due to low profitability and the lack of regulatory incentives for investments, CCS projects would not be undertaken without state aid.³⁷ Therefore, previous experience shows that market forces do not provide sufficient incentives for undertakings to carry out CCS projects at their own expense.
- (107) Having considered the factors outlined above, the Authority concludes that the notified measure provides an incentive effect, which is not mitigated by other potential advantages.

3.2.5 Proportionality

- (108) State aid is proportionate if the aid amount per beneficiary is limited to the minimum needed to achieve the identified objective of common interest.
- (109) As a general principle, aid will be considered limited to the minimum necessary if the aid corresponds to the net extra cost necessary to meet the objective, compared to the counterfactual scenario in the absence of aid.
- (110) However, if no specific alternative project can be identified as a counterfactual scenario, as is the situation in this case, the Authority must verify whether the aid amount exceeds the minimum necessary to make the aided project sufficiently profitable, for instance whether it increases its internal rate of return beyond the normal rates of return applied by the undertaking concerned to other investment projects of a similar kind.³⁸
- (111) As noted in Section 3.2.4 of Part II above, the counterfactual scenario in this case is that no Concept and FEED Studies would be carried out, since there are no prospects of earning any financial profit through such studies under the present market conditions. Any knowhow obtained from Concept and FEED Studies will be project/site specific and of little value unless the Norwegian authorities initiate the next phase and select the specific project as eligible for construction and operation financing. In addition, as previously noted, the Concept and FEED Studies are unlikely to result in any significant new IPR. Moreover, there is no guarantee that the next phase will indeed materialise.

³⁶ *Ibid*, paragraph 80.

³⁷ Commission Decision N381/2010 of 27.10.2010 on The Netherlands – Aid for a CCS Project in the Rotterdam Harbour Area (OJ C 149, 20.5.2011, p. 3), paragraphs 69 - 71.

³⁸ See for example point (80) of the EEAG.

- (112) The eligible costs are thus the total costs of the studies plus a reasonable rate of return. The Norwegian authorities have highlighted that it may be necessary to cover up to 100% of the operators net costs, since undertakings would likely not have an incentive to provide own contribution for the Concept and FEED Studies. Considering the fact that the EEAG permit up to a 100% aid intensity for concrete CCS projects³⁹ and since the Concept and FEED Studies are a necessary step towards the realisation of such projects,⁴⁰ the Authority considers it acceptable to also permit such a high aid intensity for Concept and FEED Studies for CCS.
- (113) As described in Section 3.5 of Part I above, the Norwegian authorities will select the recipients of the financing of the Concept and FEED phase through a competitive process. The competitive process will be open to all qualified bidders, and be carried out in an objective; non-discriminatory and transparent way and the bids will be evaluated based on published award criteria. Thus, the selection process ensures that bidders have the incentive to seek the minimum level of aid required to make their project viable. The selective process will thus contribute to the eligible costs being limited to the minimum costs necessary.
- (114) Moreover, the individual negotiations will further contribute to reducing the aid to the necessary minimum. The Norwegian authorities have confirmed that only after the negotiations will they make their final decision concerning whether to proceed to the Concept and FEED phase.
- (115) Furthermore, in line with the rationale of the EEAG, the Authority presumes that, for operating aid by way of a competitive bidding process, the proportionality of individual aid is met if the general conditions are fulfilled.⁴¹
- (116) Moreover, the Norwegian authorities will include provisions in the Concept and FEED financing contracts to guarantee that there will be no overcompensation. The costs of the beneficiaries will be documented and substantiated based on generally approved and accepted accounting standards, and control mechanisms will be in place that enable the Norwegian authorities to monitor that the aid granted does not exceed the eligible costs.
- (117) The Authority also notes that the aid will not be cumulated with other aid for the same project.
- (118) Based on the above, the Authority concludes that the aid measure is proportionate.

3.2.6 *Avoidance of undue negative effects on competition and trade*

- (119) For state aid to be compatible with the functioning of the EEA Agreement, the negative effects of the aid measure, in terms of distortions of competition and impact on trade between Contracting Parties, must be limited and outweighed by the positive effects in terms of contribution to the objective of common interest.
- (120) It follows from Section 3.5 of Part I above that the aid is kept to the minimum necessary by way of a competitive selection process and contractual control tools. This indicates that the distortive effect on trade and competition will be limited.
- (121) Moreover, the advantage stemming from the possibility of taking part in the bid for the final CCS phase is limited, since there is no guarantee that the final project will actually

³⁹ See Annex I of the EEAG.

⁴⁰ See for example; Commission Decision N74/2009 of 8.4.2009 on United Kingdom - CCS Demonstration Competition – Feed (OJ C 203, 28.8.2009, p. 2), paragraph 25.

⁴¹ See point (82) of the EEAG.

materialise. Any possible negative effects on competition and trade with regard to the future construction and operation phase will be assessed in connection with the potential notification of the financing of that next phase.

- (122) The notified aid will not help the recipient to increase sales due to either reduced production costs, improved environmental image or new or higher quality product, nor will it provide advantages in terms of additional knowhow or IPR. As noted in Sections 3.2.4 to 3.2.5 of Part II above, any advantage in terms of additional knowhow is by its nature limited due to its project/site specific character. The Norwegian authorities will further ensure that knowledge-sharing arrangements are properly in place, to further reduce potential benefits. Such obligations will be imposed on the beneficiaries through the Concept and FEED financing contracts.
- (123) With regard to the positive effects, it follows from Section 3.2.1 of Part II that CCS constitutes an objective of common interest, and that the notified aid measure is an appropriate instrument to reach that objective.
- (124) For these reasons, the Authority concludes that the aid measure has limited negative effects on competition and intra-EEA trade. The positive effects in terms of contribution to the objective of common interest outweigh these limited negative effects.

3.2.7 *Transparency*

- (125) The Norwegian authorities have committed to comply with the transparency requirements in line with Section 3.2.7 of the EEAG.

3.3 Conclusion on the compatibility assessment

- (126) Based on the detailed assessment set out above, the Authority has balanced the positive and negative effects of the notified measure. The Authority concludes that the distortions resulting from the notified measure do not adversely affect trading conditions to an extent contrary to the common interest.

4 Conclusion

(127) On the basis of the foregoing assessment, the Authority considers that the financing of Concept and FEED Studies on full-scale CO₂ capture and storage constitutes state aid with the meaning of Article 61(1) of the EEA Agreement. This aid is compatible with the functioning of the EEA Agreement.

Has adopted this decision:

Article 1

Not to raise objections to the Norwegian authorities financing of Concept and FEED Studies on full scale CO₂ capture and storage on the grounds that it is compatible with the functioning of the EEA Agreement, pursuant to its Article 61(3)(c).

Article 2

The implementation of the measure is authorised accordingly.

Article 3

This Decision is addressed to the Kingdom of Norway.

Article 4

Only the English language version of this decision is authentic.

Done in Brussels, on 16 March 2017

For the EFTA Surveillance Authority

Sven Erik Svedman
President

Frank J. Büchel
College Member

Helga Jónsdóttir
College Member

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