

FACT SHEET

ESA approves aid for greener production of wood pellets

Arba Follum AS will conduct a project in Follum, Norway, aiming at demonstrating a novel, highly efficient process for producing black pellets. The EFTA Surveillance Authority (ESA) has approved a Norwegian grant of NOK 138 million (approx. EUR 15.2 million) to the project.

Black pellets are a relatively new product, which can substitute, partly or fully, fossil coal with only minor adaptations and investment cost at the relevant power plant. There are few companies in this business, and so far no commercial production of black pellets exists.

Compared to alternative technology to produce black pellets, the different elements in the new production technology will give substantial energy savings for the production. Those new elements include; (i) energy saving production of high quality feedstock from wood logs, (ii) heat recovery, and (iii) an integrated process for biogas production.

In total the energy savings amount to 142.5 GWh per year compared to the alternative technology.

In its assessment, ESA concludes that the project suffers from a funding gap and would not be pursued absent the aid measure. Furthermore, the level of public funding is below the maximum aid intensity of 50% under the Energy Fund scheme.

There are also mechanisms to prevent overcompensation in case the investment costs are subject to changes.

Finally, the new technology will be available to third parties once it has been successfully verified in the demonstration plant.

ESA thus raised no objections to the proposed measure under the EEA state aid rules.

The EFTA Surveillance Authority

- Ensures that Norway, Iceland and Liechtenstein respect the EEA Agreement.
- Protects the rights of individuals and market participants.
- Ensures timely implementation of EEA law.
- Pursues breaches of EEA law.
- Enforces the rules concerning state aid.
- Takes action against breaches of the EEA competition rules.

Further information about the EEA state aid rules and the role of ESA can be found on ESA's website: www.eftasurv.int/state-aid