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Estonia's proposal for CISAF

Dear Vice-President,

I would like to begin by expressing my appreciation for your leadership on climate and energy matters in the transition to clean and competitive economy. The European Clean Industrial Deal is certainly a crucial step to support the transition of EU Member States' industries towards a more sustainable and innovative economy, where environmental and climate objectives are integrated with the needs of industrial development. In relation, I would like to share some important points for Estonia regarding the upcoming Framework for State Aid measure to support the Clean Industrial Deal (hereinafter CISAF) which will be a great support in achieving our goals.

Estonia submitted preliminary unofficial comments on the draft CISAF by 1 May 2025 in the form of on-line answers to the consultation document. Please find below some additional comments which we consider important to address in the final version of CISAF for it achieve its full benefit and help Member States in the clean transition.

Estonia overall supports the draft CISAF, which allows for a rapid decision from the European Commission authorizing state aid in the cases specified in the framework. We do believe however that the framework should have more opportunities to support other objectives of the Clean Industrial Deal, like circular economy and technologies consuming renewable electricity for example and be more flexible in terms of conditions.

Our more extensive comments relate to the critical topic of energy. We welcome the conditions for granting state aid to accelerate the deployment of renewable energy and we align with the Commission on the conditions for granting state aid for investments in self-generation of energy. However, we believe that support measures for emission-free technologies in the energy infrastructure should be technology-neutral, including wind energy, nuclear energy, energy storage, hydrogen technologies and other equivalent solutions.

In general, we also support the conditions for state aid to reduce industrial CO2 emissions, but we believe that requiring Member States to provide justifications if aid schemes are

limited to certain sectors and penalizing the failure to meet investment deadlines if this is due to circumstances beyond the control of the aid recipient would not be justified.

We see the benefit in the possibility of the CISAF to provide aid to ensure sufficient production capacity of clean technology, which includes, among other things, the production of carbon capture, usage and storage (CCUS) equipment.

We support measures to reduce the risks of private investments. In case financial instruments are used as a support measure, there should be no time limit on the loan period, or it should be possible to extend loans throughout the useful life of the technology. The useful life of different zero-emission technologies varies significantly. For example, nuclear and hydro technologies have useful lives of 80-100 years, offshore wind about 30-50 years, less for onshore wind, and hydrogen technologies often have a useful life of less than 10 years. Accordingly, loan periods should be technology-dependent.

We endorse the more flexible implementation of capacity mechanisms in the electricity market, but we believe that even greater flexibility is needed to make the most use of CISAF, therefore we propose:

- Adding to the framework the possibility to determine the need for a reserve capacity mechanism on a national analysis (NRAA) in addition to the European System Capacity Analysis (ERAA). Allowing the use of NRAA is important especially in exceptional situations where, for example, the adoption of the European level analysis (ERAA) is delayed.
- Allowing small Member States and regions with limited demand flexibility options greater flexibility to allocate the costs of capacity mechanisms among consumers. As a result of the solution in the draft, the total price of electricity would increase during peak consumption periods by an additional imbalance charge, in a situation where in the Nordic countries it is often not possible to flexibly postpone consumption during the winter period.
- Extending the possible period for strategic reserve contracts (one year in the draft), as otherwise some dispatchable generation capacities may permanently exit the market and it will no longer be possible to use them to ensure the strategic reserve in later years.

And finally, we suggest using the same aid intensities for SMEs throughout the framework: 20 percentage points for small enterprises and 10 percentage points for medium-sized enterprises. This would ensure a more level playing field.

I apologise for the last-minute submission of our comments and suggestions but hope that they can still be taken into account when finalising the text of CISAF. As said above, the framework is essential in helping us achieve the clean transition goals and therefore its details should be carefully considered to ensure the framework's most beneficial form.

Yours sincerely,

(signed digitally)

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