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European Commission approves Greek state aid schemes

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Introduction

The European Commission recently approved four different state aid schemes in Greece that, respectively, aim to:

- compensate for indirect emission rights (ETS) costs;
- support electricity storage facilities;
- support the development of renewable electricity on the non-interconnected islands (NIIs); and
- boost electricity generation from renewable energy sources (RES) and high efficiency combined heat and power cogeneration (HECHP) for the period of 2021-2025.

Compensation for ETS costs

On 7 February 2023, the European Commission approved a Greek state aid scheme⁽¹⁾ regarding the grant of €1.36 billion in compensation to cover indirect ETS costs in Greece for the period of 2021-2030, in compliance with the ETS State Aid Guidelines.⁽²⁾ This scheme was proposed on the grounds that energy-intensive industries need support to deal with increased electricity prices as a result of indirect emission rights costs. The scheme also aims to address the risk of "carbon leakage", which is the transfer of companies' production to non-EU countries with less ambitious climate policies, resulting in increased global greenhouse gas emissions. Beneficiary companies are listed in annex I of the ETS State Aid Guidelines.

The project will also enable energy-intensive industries to sign corporate power purchase agreements. Eligible companies will receive compensation in the form of a partial refund of up to 75% for the emissions of the previous year, with the final payment taking place in 2031. However, payments for 2021 are excluded from this, since they should have been made by 30 April 2021.

Development of electricity storage facilities

On 5 September 2022, the European Commission approved a support scheme⁽³⁾ that relates to the provision of financial support for electricity storage facilities and more specifically to the granting of €341 million for a 900 megawatt energy storage pipeline connected to the high-voltage network.⁽⁴⁾

The measure will be partly funded by the Recovery and Resilience Facility (RRF) and projects will be selected through a bidding process. Contracts awarded to the selected projects should take place before the end of 2023 and the storage facilities should be completed by the end of 2025. The aid will be granted cumulatively via an investment grant paid during the construction phase of all supported projects. Annual support will also be paid during the operations phase of the projects for a 10-year period.

Development of renewable electricity on NIIs

On 21 December 2021, the European Commission approved a scheme⁽⁵⁾ that supports the development of renewable electricity on NIIs until 2026. This support scheme intends to allocate €1.4 billion to promote renewable electricity in 29 autonomous NII electricity systems in Greece (covering 47 islands).⁽⁶⁾ In particular, the scheme supports the production of electricity from hybrid power plants, which generate and store solar and wind-based electricity.

Around 80% of electricity on the Greek islands is currently produced with diesel and oil. Due to saturated grids, adding storage facilities to renewable electricity generation units is necessary to increase the share of RES in the electricity system on these islands. The 47 islands concerned, including Crete, will be covered by the scheme until their eventual connection to mainland Greece.

By virtue of this measure, Greece aims to support 264 megawatts of new renewable capacity by the end of 2026. The European Commission concluded that the measure would contribute to the expansion of solar photovoltaic and onshore wind energy on the Greek islands and reduce greenhouse gas emissions by replacing oil and diesel installations, in line with the European Green Deal objectives, without unduly distorting competition.

Electricity generation from RES and HECHP

On 24 November 2021, the European Commission approved⁽⁷⁾ the Greek State Aid scheme⁽⁸⁾ for electricity generation from RES and HECHP for the period from 2021 to 2025. The European Commission approved the amount of €2.27 million for a total capacity of 4,145 megawatts.

For onshore wind and solar installations, the aid will be awarded through a joint competitive tendering procedure organised by Greece to increase competition and reduce the cost of renewable energy for Greek consumers, both on the mainland and the islands.

If a minimum level of technology diversification is not attained out of the joint solar and onshore wind auctions, Greece may launch separate auctions to address the technology shortfall. Support will be directly awarded, subject to certain thresholds over which competitive tendering procedures will apply, following which a contract-for-difference will be concluded.

Previous schemes

Prior to the aforesaid schemes, the European Commission had approved⁽⁹⁾ certain schemes⁽¹⁰⁾ for electricity production from RES and HECHP in the form of a feed-in premium and a feed-in tariff for the period from 2016 to 2025 and from 2018 to 2020, respectively.

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Endnotes

(1) No. SA 103180.

(2) Decision No. C (2023) 1003/7 February 2023.

(3) No. SA 64736.

(4) Decision No. C (2022) 6461/5 September 2022.

(5) No. SA 58482 (2021/N).

(6) Decision No. C (2021) 9886/21 December 2021.

(7) Decision No. C (2021)8651/24 November 2021.

(8) No. SA 60064/(2021/N).

(9) Decisions No. C (2016) 7272/16 November 2016 and No. C (2017) 9102/4 January 2018 respectively.

(10) Under No. SA 44666 and SA 48143.