Capacity mechanisms and State aid rules: what is allowed and what is not!

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What is ... State aid?

Competition law

State aid law
What is … State aid?

Notion of State aid

- Advantage
- Granted by the State or through State resources
- Favouring certain undertakings (selectivity)
- Liable to distort competition
- May affect trade of Network Energy between the CPs

Principle of prohibition, UNLESS justified
Capacity mechanism = State aid?

General criteria:
- Advantage: payment
- State/State resources: by State
- Selectivity: specific undertaking(s)/sector
- Distorts competition
- Effect on trade
**Benchmark for compliance**

**European Commission Guidelines on State aid for environmental protection and energy 2014-2020**

-> Policy Guidelines 04/2015

Defines standards for compliance of state support for capacity mechanisms with State aid acquis

„aid for generation adequacy“:

mechanism which has the aim of ensuring that certain generation adequacy levels are met at national level
Compatibility

CHECKLIST

- Objective of common interest
- Need for State intervention
- Appropriateness
- Incentive effect
- Proportionality
- Avoidance of undue negative effects on competition and trade
Take aways

Do‘s and Don‘t‘s

- Market reforms first
- Identify the sos-problem in the first problem
- Define required level of sos (reliability standard)
- Competitive price-setting
- Notification to competent authority is key

-> Consult
- our study
- COM final report on sector inquiry
Thank you for your attention!

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