

Feedback  
22.12.2023

## Update of the free allocation rules

Finnish Energy welcomes the possibility to provide feedback on the [proposal to update free allocation rules](#). We have two main messages. First, the importance that regardless of the production process and what the end use will be, the clean hydrogen production is entitled to full free allocation. And secondly, taken the diversity of energy efficiency measures and of their evaluation, the related free allocation regulation should not be too detailed, but rather provide guidance to national authorities.

### Clean hydrogen

Free allowances allocation is an important boost for clean hydrogen production. It sends the right signal for investments in this emerging market. Defining the hydrogen benchmark independent of the production process but based on the produced volumes is essential to providing a fair level-playing field for all technologies. The free allocation for hydrogen must not depend on where or how it is used.

The free allocation for clean hydrogen production is also important since not all processes that require hydrogen are entitled to free allocation. These include among others e-methane and methanol.

The statement “financial measures to compensate indirect costs passed on in electricity prices should not compensate the same indirect costs covered by free allocation” in Recital 9 may be challenging to apply in practice and might create uncertainty.

We would welcome more clarity on how the benchmarks for processes using hydrogen (such as ammonia or green steel production) are to be defined.

### Conditionalities

The proposal includes the conditionalities related to energy efficiency measures. The energy audits and energy management systems referred in Energy Efficiency Directive can be quite different and concern different facilities. Depending which facilities different actors have included in the audits, the results per company can be very different. The measure is also a whole new.

Hence, we foresee that there needs to be room for interpretations. The Free allocation regulation should not be too detailed or stringent, but rather provide guidance to national regulatory authorities when assessing whether the condition is fulfilled or not.

The conditionality related to most carbon intensive installations, “the installations concerned by this conditionality are those whose greenhouse gas emission levels are higher than the 80th percentile of emission levels for the relevant product benchmarks in the years 2016 and 2017” should acknowledge that there may have been development during the last seven years, and that the installations in questions may have a lot lower emissions already today.

### Other remarks

The sentence “measurable and non-measurable heat produced from electricity should in principle be eligible for free allocation under the heat and fuel benchmarks” could be clarified. As a principle, we

consider it utmost important that also heat for district heating produced with electricity can benefit free allocation.

We welcome that “highly or entirely electrified processes covered by the EU ETS should benefit from free allocation in the same way as processes with high direct emissions”. This is important for supporting electrification and hence provide incentives to reduce emissions.

It is stated that to further “incentivise the recovery of heat from fuel benchmark subinstallations and process emissions sub-installations, such heat should be eligible for free allocation”. We would like to have more clarity on this. We consider that if the heat is benefited in district heating, the district heating should receive the free allocation also in this case.

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