

Brussels, 30.06.2023

**The Polish Electricity Association's position on the proposal for a Regulation of the European Parliament and of the Council on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net-Zero Industry Act)**

The Polish Electricity Association (PKEE) welcomes the European Commission's Net-Zero Industry Act (NZIA) presented on March 16, 2023, which supports the transition to climate neutrality by 2050. This initiative may result in boosting the competitiveness of the EU industry, creating quality jobs, and ensuring a more secure and sustainable energy system. However, PKEE draws attention to several elements of the new legislative proposal, which will require clarification and corrections at further stages of the legislative process, if NZIA is to actually fulfill its assumptions in the coming years.

The proposed legislation for NZIA shall identify clear goals for European clean tech by 2030 and ensure that by 2030 the manufacturing capacity in the Union of the strategic net-zero technologies listed in the Annex approaches or reaches at least 40% of the Union's annual deployment needs. Setting this benchmark is a step in the right direction which intends to increase the resilience and competitiveness of clean technologies manufacturing in the EU. The Act does not address challenges for energy-intensive industries beyond increasing CO<sub>2</sub> storage capacity and may also cause an excessive burden on the economies of countries. If it is wrongly designed, it will become an obstacle and not a help in real investment activities. The different parts of the carbon capture and storage (CCS) and utilisation (CCU) value chain (especially carbon transport infrastructure), should be properly addressed. Investments in the transportation infrastructure but also connectivity and accessibility are needed in order to reach the goal of at least 50 m tonnes of CO<sub>2</sub> by 2030.

PKEE believes that **CCU technology should be recognised as a strategic technology along with CCS and added to the Annex of the Regulation; carbon transport infrastructure/technologies should be included in Annex as well**. This technology can enhance climate change adaptation and mitigation by reducing GHG emissions and help in meeting the EU hydrogen goals.

PKEE would also bring to the attention that the challenges related to hydrogen development include the lack of production capacities but are not limited to this issue only. Therefore, **the Regulation should also recognize the strategic role of long-term hydrogen storage**.

The list of **Strategic Net Zero Technologies** should also recognise the role of other prospective technologies like hydrogen combustion technologies (other than fuel cells), small hydrogen gas turbines, and the technologies of combustion of ammonia and other e-fuels.

Furthermore, the NZIA should give greater priority to heat storage technologies, which are currently labeled as net-zero technologies, but not as strategic net-zero technologies. Such facilities, along with the power storage facilities could improve energy efficiency and reduce overall consumption.

The list of strategic technologies in the Annex of the proposed Regulation should also include **modern nuclear energy technologies (including Small Modular Reactors – SMRs), which will be crucial in supplying carbon-free, dispatchable energy**. PKEE appreciates the partial recognition of SMRs in Art.3.1 concerning a definition of net-zero technologies, but we **also believe that SMRs, along with other modern nuclear technologies, should be perceived as a strategic neutral technology under the proposed NZIA. Therefore PKEE calls on the co-legislators to widen the list of strategic technologies in the Annex accordingly, to include nuclear energy technologies (including SMRs )**. Their inclusion under the NZIA can give an opportunity to stay globally competitive for our industry by receiving particular financial support, as is the case for the USA's Inflation Reduction Act which does not differentiate between future technologies and covers entirely the nuclear energy sector. This is extremely important from the perspective of countries where there is a need to replace a large share of coal-based energy generation. In addition, in the explanatory memorandum of the Regulation, the EC stresses that Japan, Canada, the UK, and the USA have put forward their investment plans in net-zero technologies. We would like to recall that nuclear energy in those countries plays a greater role and is included in their energy mix.

**PKEE is in favour of a technology neutrality approach, and the development of nuclear power, and does not want to exclude modern nuclear technologies including SMRs from the above-mentioned list. We strongly believe that these technologies significantly contribute to decarbonisation and also are of strategic technological importance for our industry.** Nuclear energy is an environmentally sustainable energy source under certain criteria and has been finally included in the EU Taxonomy Delegated Regulation 2022/1214 of March 2022 encouraging investments in this energy source. PKEE supports modern nuclear power technologies including SMR, recognising the importance of nuclear power as low carbon which can accelerate the energy transition.

**Additionally, we would like to draw the co-legislators attention to the need to clarify the definition of net-zero technologies which includes “*advanced technologies to produce energy from nuclear processes*”**

*with minimal waste from the fuel cycle” given in Art. 3.1 of the proposed Regulation.* At this point it is unclear for our industry what can be covered under “advanced technologies” and we urge the co-legislators to be more specific in this regard.

Moreover, we would also like to bring attention to Art.6 and Art. 13 concerning the duration of the permit-granting process. We support NZIA’s measures for speeding up procedures for granting of permits but we have concerns in terms of the ambiguity of the proposed provisions. **In general, we support lifting the burden of the permits but we acknowledge the risk associated with connection to the grid (in particular at the distribution level). There are several technical issues linked to a grid connection and appropriate time for these decisions must be ensured. Therefore we call on the co-legislators to provide more clarification regarding the applicability of the proposed provisions.**

PKEE welcomes the European Commission’s proposal to recognise net-zero technology manufacturing projects located in the EU that benefit from the ETS Innovation Fund or are parts of Important Projects of Common European Interest, European Hydrogen Valleys, or of the Hydrogen Bank as net-zero strategic projects. This approach ties in with the environmental objectives of the EU, particularly those set out in the EU Hydrogen Strategy.

The Act also sets an objective of 50 million tonnes of annual CO<sub>2</sub> storage capacity by 2030 in the EU. It notes the possibility of converting depleted fields of gas and oil for CO<sub>2</sub> storage sites, where possible. This part of NZIA requires a reasonable and responsible approach, because the goal already imposed on the mining sector may result in extremely difficult requirements to meet. Their further complexity for example by publicly reporting to all geological data relating to production sites that have been decommissioned or whose decommissioning may also threaten the energy security of the Member States and the entire EU.

We also believe the EC should refrain from opening the discussion on using of ETS revenues in this legislation (recital 41: *to mobilise national resources for that purpose, Member States may use a share of the ETS revenues that Member States have to allocate for climate-related purposes*). The EC’s proposal correctly recognizes the challenge related to financing. While it is desirable to leave the initiative to the Member States and give them flexibility in terms of financing, the reference to ETS revenues is unnecessary and might lead to more uncertainties and initiate a lengthy dispute about the redistribution of national revenues from ETS.