



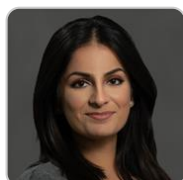
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EU Approves State Aid to Bolster Czech Sustainability Scheme

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On April 21, 2023 the European Commission **approved** a €401 million scheme proposed by the Czech Republic to promote green district heating from renewable energy and waste heat. The scheme represents another environmentally focused initiative recently approved by the EC under EU State Aid rules, and will contribute to the implementation of the Czech Republic's **National Energy and Climate Plan (the NEC Plan)**. The Czech Republic has described the new infrastructure as crucial to achieving its target to reduce total greenhouse gas emissions by 30% by 2030. Scheduled to run until December 31, 2025, the scheme will promote the decarbonization of heat generation units that are connected to district heating systems.

Under the NEC Plan, the Czech Republic will develop renewable heat generation units powered by biomass and waste with a capacity above 500 kilowatts. This in turn is expected to support the installation of approximately 345 megawatts of renewable heat generation capacity. Under the NEC Plan, the Czech Government advocates using locally available heat sources as it helps to decentralize the energy sector, reduce dependence on fossil fuel imports and strengthen the local economy. The scheme is open to owners of heat generation installations holding a heat energy product license and producing heat from biomass or waste that is considered a renewable energy source within the meaning of the **Renewable Energy Directive**. The Renewable Energy Directive is the EU's legal framework requiring that 32% of the energy consumed within the European Union is classified as "renewable" by 2030.

It is hoped that the scheme will not only contribute towards Czech Republic achieving its own energy transition targets but will also contribute towards the implementation of the **European Green Deal**, under which the Commission adopted a set of proposals to aid in the reduction of net greenhouse gas emissions by at least 55% by 2030.

Taking the Temperature: The approval of the Czech scheme is another example of the EC approving EU State Aid to fund energy transition projects in Member States. The Commission approved State Aid to Spain and Germany to build [Hydrogen-powered steel plants](#) in February and to a German [electric rail scheme](#) in March. As we previously discussed in reporting on those State Aid grants, certain conditions must be satisfied in order to obtain EC State Aid approval because an award of government support confers a competitive advantage in the jurisdiction and the EU generally on the companies benefiting from the aid. Here, the EC found that the Aid was warranted because it “is necessary and appropriate for the decarbonisation of the district heating sector in” the Czech Republic; the aid is “proportionate and limited to the minimum necessary;” and “positive effects of the aid on the decarbonisation of district heating systems in Czechia outweigh any potential negative effects on competition and trade between Member States.”

The Commission’s continued support for green transition projects by Member States underlines the importance to the EU of its Fit for 55 plan, which we have [discussed in detail](#) previously.