Joint statement on the Middle East crisis Temporary State aid Framework (METSAF) prolongation

Energy-intensive industries are at a critical juncture. They underpin Europe's most strategic value chains, supplying the materials essential to the energy transition, defence, and digital transformation - and they are accelerating their decarbonisation efforts. But they cannot electrify and decarbonise without access to electricity at globally competitive prices.

Access to internationally competitive electricity is a prerequisite for maintaining industrial production in Europe and attracting future investment. For many energy-intensive industries, electricity is not merely an input cost but a key determinant of competitiveness. Consequently, higher power prices translate directly into a competitiveness disadvantage, with European companies facing electricity prices up to two to three times higher than those of their US and Chinese competitors.

In light of the announced prolongation of METSAF, it is important to understand that to date no system across Europe has been enacted to support energy-intensive industries under METSAF due to specific design flaws. **We would like to share three recommendations to ensure that the framework effectively responds to the challenges we are facing**.

- **Align cumulation and eligible consumption thresholds with METSAF's 70% support level**

  To fully achieve METSAF's objective while remaining consistent with the Commission's own 'horizontal' calibration logic[1], the Commission should align the framework's key parameters with its 70% aid intensity. In particular, **the current 50% limits on the aid amount in the case of the cumulation of METSAF with ETS indirect cost compensation (par. 74(b)) and on eligible electricity consumption (CISAF par. 120) should be increased to 70%**. It would ensure that the industries

[1] *See thereto SWD(2025) 850 final, p. 36-37*

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most exposed to electricity costs and international competition can effectively benefit from the enhanced support level that METSAF was specifically designed to provide.

METSAF rightly recognised that the exceptional electricity cost burden faced by energy-intensive industries due to the Middle East crisis requires a higher level of support than that available under Section 4.5 of CISAF. To this end, METSAF increased the level of allowed electricity price relief from 50% to 70% of the relevant yearly average wholesale electricity price.

However, key elements of the framework remain calibrated at 50%, notably the share of eligible electricity consumption covered by the mechanism and the share of aid that may be cumulated with compensation for indirect ETS costs. As a result, the very industries that the EU has recognised as being most exposed to electricity costs and carbon leakage risks through their eligibility for indirect cost compensation cannot fully benefit from the enhanced support level introduced by METSAF.

This targeted adjustment would not alter the fundamental architecture of METSAF but would ensure that the framework delivers the level of support that the Commission itself considered necessary under the exceptional market circumstances that justified its adoption.

- **Remove the 50% reinvestment obligation in decarbonisation**

The Commission should remove the requirement that beneficiaries allocate at least 50% of the aid received to investments contributing to reducing electricity system costs. While METSAF already exempts the additional aid granted under its temporary derogation from further decarbonisation investment obligations, the requirement continues to apply to a significant share of the support received.

However, requiring industries facing exceptional electricity costs to reinvest half of their financial relief undermines the framework's immediate objective of safeguarding competitiveness and preventing carbon leakage. Moreover, European energy-intensive industries already face significant investment requirements to decarbonise their production processes under the Emission Trading System (ETS).

- **Prolong METSAF until at least the end of 2027, and thereafter until electricity prices have stabilised at internationally competitive levels**

Short-term extensions would not provide the predictability required to support investment and maintain Europe's strategic industrial value chains, given the continued uncertainty surrounding the future evolution of electricity prices.

Ultimately, addressing Europe's competitiveness challenge requires more than temporary relief measures. METSAF is a necessary response to current market conditions, but State aid cannot be a permanent substitute for competitive electricity prices. Europe's long-term objective must be to deliver an energy system that provides industry with predictable and internationally competitive electricity.