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European Commission
Directorate-General for Competition - Units B2, B3, H2

Düsseldorf, 2021-07-30

Reference number HT.5371: New EU-Guidelines on aid for climate, environmental protection and energy (CEEAG) 2022 - Reduction of the required trade intensity for the commercial sector 24.32[1)] to 10 % and reinstatement on the list of eligible sectors as defined under Section 4.11 and listed in Annex 1

Dear Sir or Madam,

as the German association of manufacturers of cold-rolled steel strip and branche of the commercal sector 24.32[1)], we would like to comment on the reduction of the trade intensity to 10 % as a sub-criterion for an eligibility as stipulated in your draft version oft he new EU-guidelines on aid for climate, environmental protection and energy (CEEAG) as follows:

The EEAG revision support study [2)] recommends that public aid should be limited to sectors that maintain export-oriented trade relations with protectionist countries as well as with countries that have comparative electricity cost advantage. The target countries of the direct non-European exports of our member companies are primarily the USA, China and Great Britain - countries that act both protectionist in their trade relations and have a comparative advantage in energy, climate and environmental protection cost.

In addition, in so far as trade intensity can be an indicator of a carbon leakage risk at all, an isolated focus on the trade intensity of the industry 24.32[1)] as a criterion for the assessment of eligibility for aid reflects the vulnerability and the relocation risk of production sites and contingents with the resulting negative effects on economic prosperity and global climate protection in our opinion only very insufficiently.

[1)]: Nace Code 24.32: Manufacture of other products of first processing of steel - Cold rolling of narrow strip
[2)]: https://ec.europa.eu/competition-policy/system/files/2021-06/kd0521173enn_EEAG_revision_2021_0.pdf

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An indirect, but all the more pronounced vulnerability of the economic sector then already results from the high X-tra-EU trade intensities of large customer sectors such as the electrical, automotive and mechanical engineering industries, their suppliers or other export-oriented steel processing industries.

Higher prices on the domestic or EU-internal market due to a lack of aid would inevitably lead to significant losses in competitiveness and to the promotion of imports, in particular from non-European third countries, or the relocation of production sites and/or quotas to non-EU countries, especially in the Asian region. A relocation of production sites to EU member states or third countries with general lower location costs is already evident. To that effect, the capital mobility understood as in the EEAG revision support study[2)] can only serve as an indicator of a potential relocation of production sites.

With reference to the conclusions of the EEAG revision support study [2)] under study point 3 on electricity prices in an intra-European comparison, the electricity price level of the Federal Republic of Germany and the influence of Germany on the EU-11 average, the sole consideration of the non-European trade intensity and the resulting lack of inclusion of EU-internal competition for the assessment of national public aid has always been inappropriate.

As an association of German steel processors, we are therefore in favour of reducing the trade intensity of 20% required in your draft version of the new EU State Aid Guidelines as a sub-criterion for assessing sectoral eligibility to the 10% applicable for the period 2014-2020 (CEEAG version 2014) and the reinstatement of our industry in the list of eligible sectors in Annex 1.

Alternatively, the EU member states should be granted the possibility of national exemptions, for example due to the high foreign trade intensities of downstream levels of their value chain as mentioned above.

Kind regards

M. Kunkel
- Director -

A. Üffing
- Advisor -