



State aid - exemptions for small amounts of aid (de minimis aid) (update)

Consultation of the European Commission

Response of the European Clusters Alliance (ECA) with the support of its national partners.

Response of the European Clusters Alliance (ECA) to the European Commission's consultation on the draft new regulation of de minimis 2024 - 2030

Public consultation from 15/11/2022 to 10/01/2023

The European Clusters Alliance (ECA) and its national partners welcome the call for contributions from the European Commission to assess possible changes to the de minimis regulation. The necessity of a revised threshold for 2014-2030, which takes inflation into account and reflects economic developments, has been unanimously welcomed by the ECA members.

ECA welcomes the European Commission's objective to develop its framework on state aid in response to the competition generated by the American plan to combat inflation ("Inflation Reduction Act").

Proposed contributions by ECA:

1. Increase of the de minimis threshold to up to EUR 500,000
2. Terms of use of exempted aid: extension of the duration of the business loans on which the guarantee is based
3. Request for exception of the de minimis aid received by undertakings as part of cluster projects in the calculation of the general de minimis ceiling of an undertaking
4. Exemption for non-profit companies whose main objective is to support inclusion by employment/job creation and their affiliated companies
5. Clarification of provisions concerning passing over the ceiling
6. Transparency, information, and quota management tools: improvement of transparency requirements

1. Revision of the de minimis threshold: increase up to EUR 500,000

We propose to increase the de minimis notification threshold to meet economic conditions unfavourable to inflation and to the prices of assets in difficulty from EUR 200,000 to EUR 500,000, instead of EUR 275,000 as proposed in the European Commission's draft de minimis regulation for 2024 – 2030.

Argument:

- This increase would be closer to future cost developments, inflation, energy, international competitive pressure competition. Cf. competition generated by the American plan to fight inflation (Inflation Reduction Act). The proposal argument takes into consideration only the inflation rate in the Eurozone, estimated at 1.92% per year on average between 2006 and 2020. Countries outside the Eurozone have a higher inflation rate and are at the same time the ones where SMEs are in more need of support. Given the current economic situation, it is expected that the average inflation rate will be much higher until 2030 when the next revision of the Regulation is expected.
- It would simplify information feedback (transparency) without threatening fair intra-European competition.
- It would facilitate the management of companies or legal entities receiving aid.
- It would facilitate the monitoring of the managing authorities.



- The European economy faces tremendous challenges because of two years of COVID-19 pandemic. Only 2020 saw a decline of 6.3% of the EU GDP with 60% of the SMEs reporting turnover fall leading to a loss of 1.4 million jobs. Furthermore, the current war on Ukraine is expected to put an additional pressure on the industrial value chains, with respect to energy prices and market losses.
- The current crises have only highlighted a rather long-term problem of the foreign dependencies of European supply chains, where 137 products in sensitive ecosystems are highly dependent on foreign suppliers, in particular in relation with China¹.

Therefore, given the above, we consider that a raise of the ceiling up to EUR 500,000 would be more appropriate. This is in accordance with the majority of the opinions expressed in the public consultation opened by the Commission between 27 June - 25 July 2022², which emphasised both aspects of inflation and the need for a stronger SME support.

Alternatively, we propose:

- A reduction of the period of the de minimis aid from 3 to 2 consecutive years.
- Shorter terms for the revision of the ceiling based on inflation; the current next term (2030) is too far away.

2. Terms of use of exempted aid: extension of the duration of the business loans on which the guarantee is based

We consider the five-year limit on the duration of the loans on which the guarantee is based does not reflect the reality of enterprises.

Therefore, we propose that the duration of the loans on which the guarantee is based should be adapted to the needs of the enterprises.

Argument:

In reality, the duration of these loans is often longer. The financing of investments often requires terms of more than 5 years. If a term limit were to be adopted, it should be based on the real needs of the companies. For example, 10 years for operating and office equipment, 8 years for financing of working capital, and 20 years for financing of structural investments. Increasing the duration limit to 10 years while halving the loan amount does not represent a significant support. Too short durations in the de minimis regulation are particularly detrimental to the high long-term financing needs of medium-sized industrial enterprises.

3. Request for exception of the de minimis aid received by undertakings as part of cluster projects in the calculation of the general de minimis ceiling of an undertaking

We propose that the de minimis aid received by SMEs as part of a cluster-related project should not be added to the overall de minimis ceiling of the respective SME on an individual basis.

Argument:

The revised EU Industrial Strategy (2021) has set the goal of assuring a **resilient** recovery by means of the **twin transition** (green and digital) within the 14 industrial eco-systems. **This should lead to increased autonomy in key strategic value chains for a resilient industry. Resilience** is defined as the development of higher degree of robustness in industrial production to deal with

¹ https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy_en

² https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13458-State-aid-exemptions-for-small-amounts-of-aid-de-minimis-aid-update-/feedback_en?p_id=31239560



disruptions in global value and supply chains. **Resilience** is most certainly a property of the network, as it has proven by the rapid response clusters have been able to provide to value chains disruptions during the covid pandemic. Only between March and October 2020, the European Clusters Alliance organised over 100 webinars to analyse the implications and help industrial cluster with the post-pandemic regeneration.³

Clusters are not only value chain generators but also networks that support **SME competitiveness** based on **(eco-) innovation** and **internationalisation**, as they are models of systemic innovation. Innovative clusters are recognized as key drivers of innovation and economic growth through the development of collaborative and multi-sectoral approach and stimulating interactions between innovation actors.

Given the above, we consider that de minimis aid received by SMEs as part of a cluster related project should not be added to the general de minimis ceiling of the respective SME, taken individually.

Example:

SME A is part of the cluster B which runs a cluster-related project including internationalisation activities. As part of the activities, the cluster organises a participation to an international fair, with common stand. SME A is part of the delegation and benefits from indirect de minimis aid, i.e., 50% of the travel costs to the fair covered by the project, 100% of the stand construction costs covered by the project in the total amount of EUR 20,000.

Meanwhile, SME A applies for a de minimis aid under the Regional Operational Programme for investments in the production facilities.

Under the current provisions, SME A would be only allowed to apply for EUR 200,000 – EUR 20,000 = EUR 180,000.

We consider that the cluster-related project aid amounting to EUR 20,000 should be exempt from the de minimis calculation for the SME A.

4. Exemption for non-profit companies whose main objective is to support inclusion by employment/job creation and their affiliated companies

Not-for-profit enterprises whose main objective is to support people in their inclusion in the job market do not generally meet the competition criteria of the internal market. Therefore, we propose to adapt the rule applied to this type of situation: Each related enterprise should be allowed to receive its appropriate "de minimis" aid if it benefits creating new employment opportunities.

Argument:

The challenge here is to promote social and professional inclusion and the creation of better social cohesion in territorial communities.

³ <https://clustercollaboration.eu/news/role-clusters-accelerating-european-recovery-previous-recordings>



5. Clarification of provisions concerning passing over the ceiling

We propose to amend Article 3(6).

Argument:

Art 3(6) Where the relevant ceiling laid down in paragraph 2 would be exceeded by the grant of new *de minimis* aid, none of that new aid may benefit from this Regulation.

Given the

- Judgement of the European Court of Justice C 608/19 of 28.10.2019, stating that in the case an undertaking which intends to grant it *de minimis* aid that, because of existing previous aid, would raise the total amount of aid granted to that undertaking to a level above the *de minimis* ceiling, may opt, until such aid is granted, to reduce the funding required or to forgo, in full or in part, previous aid already received, so as not to exceed that ceiling.

We consider that Art 3(6) should be **rephrased** as follows:

Art 3(6) Where the relevant ceiling laid down in paragraph 2 would be exceeded by the grant of new *de minimis* aid, none of that new aid may benefit from this Regulation, if the undertaking has not opted, until the aid is granted, to reduce the funding required or to forgo, in full or in part, previous aid already received, so as not to exceed the ceiling.

6. Transparency, information, and quota management tools: improvement of transparency requirements

We propose to improve transparency requirements by simplifying reporting/notification for companies as follows:

The introduction of a mandatory single register, with a special section, in the *de minimis* framework for state aid at national level would reduce the administrative burden for small companies. Such a register should ensure the safety of data and sensitive information.

Care should also be taken when dealing with the issues of groups of companies, mergers, or related companies under European legislation. The economic structure, especially in this period of strong transitions, is particularly fluid, with companies having to innovate and adapt to the changing situations.

Therefore, ECA proposes to strongly reinforce the information provided to public financiers with simple tools for project leaders, because the declaration/notification plays a role in the control of thresholds reached by companies, which is essential for the proper management of this type of State aid.

About the European Clusters Alliance

The European Clusters Alliance is a bottom-up initiative that gathers 22 national cluster associations and ambassadors. Our mission is to be their common voice and facilitate connections and opportunities to meet the challenges they face. ECA represents more than 800 clusters, in which more than 150,000 of our most innovative businesses collaborate with thousands of universities, research centres and public institutions to boost their competitiveness. The ECA network includes around 60 million employees in our European economy.

Our network covers the following countries: Austria, Bulgaria, Czech Republic, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Ukraine.

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