EuroCommerce for retail & wholesale

Contribution

10 January 2023

2022 draft Regulation on de minimis aid – EuroCommerce views

Key messages

- EuroCommerce would ask the Commission to reconsider the proposed threshold of €275,000 in favour of a higher threshold of at least €400,000.
- Retailers and wholesalers, especially SMEs, require support to meet the costs of the green and digital transformation to remain competitive, play their part in addressing climate change and continue to provide choice at competitive prices.
- We agree with the proposal to establish a mandatory central register at member state level.
- EuroCommerce would invite the Commission to consider other points, including:
    - The **current criterion of the single undertaking**, which may at times result in less aid to companies controlled in law or in fact by the same entity compared to those organised as independent companies.
    - The 3-year time limit and whether it is appropriate.
    - A more frequent examination of the ceiling for de minimis aid.

Introduction

EuroCommerce welcomes the opportunity to comment on a draft Regulation on de minimis aid published by the Commission on 15 November 2022.

EuroCommerce is the European federation for retail and wholesale. Retailers and wholesalers are key players in the European economy, with over 5 million active businesses providing employment to 26 million Europeans.

The retail and wholesale sectors have already been undergoing major changes driven by the needs of the green and digital transformation but need financial support in their member states and the EU to meet the high costs of the transition, especially as they recover from the Covid-19 crisis and face high inflation and increasing energy costs exacerbated by the Russian invasion of Ukraine.

In fact, a recent joint study by EuroCommerce and McKinsey estimates that the sector needs to invest up to €600 billion until 2030 to make the digital, sustainability and skills transformation possible.

We reiterate that, although a revision of the de minimis Regulation is timely to allow member states to support businesses that face difficult times amidst the twin transformation, vibrant competition in the single market is key to allow companies to take advantage of the opportunities of the digital and green transformation and stress the importance of the Commission's enforcement of its state aid rules against unlawful subsidies distorting competition in Europe.

The current threshold

In 2022, inflation reached its highest level in Europe for decades, peaking at 10.6% in October 2022.[1]

For the period 2014-2027, data from the International Monetary Fund shows inflation of +29% in the EU; this figure is based on inflation forecasts of around 2% from 2023 onwards. This would be coupled with an EU GDP growth of 29%.[2]

In this context of successive crises, the European Union set itself ambitious objectives for a greener, more digital and more resilient Europe, which will require considerable investments that Member State will have to make. Beyond the revision of the de minimis rules, the challenge for the European Union will be to continue to adapt its state aid rules to the EU's strategic priorities.

As mentioned above, a recent joint study by EuroCommerce and McKinsey estimate that the sector needs to invest up to €600 billion between now and 2030 to make the digital and sustainability transformation possible – and recruit, retail and equip people with the skills needed to support that transformation. This represents an additional investment of 0.8% to 1.6% of turnover per company up to 2030.

The state aid regime has shown sufficient flexibility to face exceptional circumstances, as demonstrated by the temporary frameworks in the context of the Covid-19 pandemic and the aftermath of the invasion of Ukraine. However, it has also showed that the amount of money made available by national measures to assist the sector under the Temporary Framework for Covid-19 did not significantly help the sector meet its costs. Support measures by governments (e.g. in relation to energy costs, for jobs creation) in a number of member states are often granted below the *de minimis* thresholds and therefore, at times insignificant for companies in a sector with very high fixed costs like retail and wholesale.

The Commission and member states are further using this flexibility in the context of the EU industrial strategy to develop Important Projects of Common European Interest, most recently in the fields of batteries and hydrogen. This pragmatic approach is welcome but should also be reflected in the de minimis Regulation.

We believe that all these elements point to a significant increase in the ceiling for de minimis aid beyond the current proposal of €275,000 to <u>at least</u> €400,000, although a higher ceiling would be more appropriate, especially if the current time limit were not amended.

The Commission's proposal to establish a mandatory central register

We welcome the Commission's proposal to establish a mandatory central register at member state level to increase transparency and lower administrative burdens for companies currently subject to a self-declaration system.

Other issues related to the de minimis Regulation

The current revision of the de minimis rules could be an opportunity for the Commission to consider a number of other points:

- The **criterion of the single undertaking** under the current rules may at times result in a dilution of the amount of aid to companies controlled in law or in fact by the same entity. For instance, during the Covid-19 pandemic, public authorities required stores to close in specific territories to contain the spread of the virus. If those stores were part of a larger group (and hence the same undertaking), the amount of aid available was 'diluted' within the group. By spreading the small amount of aid available between so many, this had the result of distorting a level playing field at

[1] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Inflation_in_the_euro_area.
[2] https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022

local level treating companies different depending on their organization (e.g. a group of independent retailers -v. a company). We would invite the Commission to reflect on such difficulties during the review of the de minimis rules, potentially providing flexibility to address such issues coupled with necessary safeguards.

- We would also invite the Commission to reconsider whether the 3-year period under the current de minimis thresholds may fail to reflect the need for investments post-Covid and in light of the twin green and digital transition and whether a shorter timespan (e.g. 2 years) would be more appropriate.
- We would also suggest that the Commission considers a more frequent examination of the ceiling for de minimis aid.

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