

Friends of Industry, Subgroup 2 – Competition and State Aid

Joint statement with minister endorsement from Austria, Belgium, the Czech Republic, Denmark, France, Germany, Ireland, Latvia, Luxemburg, Malta, the Netherlands and Sweden

A fair and efficient State Aid framework is vital to maintaining a level playing field on the internal market as well as for ensuring European competitiveness overall. In the light of the upcoming revision of the State Aid rules, we have jointly identified the following four areas that we believe deserve focus in this work.

Focus area 1 – Climate:

The State aid framework needs to be reformed so that it contributes to and does not counteract the development towards a fossil-free society and the implementation of the Paris Agreement, in line with the 2030 Agenda for Sustainable Development. This includes enabling Member states with better tools to combat climate change, including improving the public financing tools at a level necessary for enabling the transition of the fossil fuels based industry into more climate friendly technologies. In line with this, the framework must also contain a phasing out of aid harmful to the climate.

In such a climate adaptation of the State aid framework, it is necessary that regions and sectors in Europe are not left without the possibility to participate in the necessary transition, enabling cross-border infrastructure and transport involved with the carbon neutral economy. It should neither bring about unbearable financial burden to the local population nor have unacceptable impact on areas such as energy security, and would enable just transition of the workforce to other areas of activity. It must also ensure that European industry stays internationally competitive in its transition towards

a sustainable and climate-neutral economy. It is also essential that new forms of projects caused by the circular economy concept are taken on board.

We would suggest a possible new State Aid tool in the form of a Guideline or Notice based on Art. 107 (3)(c) enabling Member states to take the political decisions necessary to pursue climate-friendly goals, including to support new value chains and structures and new employment possibilities with a clear link to serving the purpose as a substitute for the ending of functioning value chains.

Focus area 2 – Global level playing field:

We recognise that WTO rules are the main tool to level the playing field at the global scale. However, existing gaps in the current rulebook create a need for an urgent update, especially vis a vis practices from non-market oriented economies. One of the first priorities of the WTO reform should therefore be the strengthening of industrial subsidies disciplines. We also need to intensify cooperation to tackle forced technology transfers with other key WTO partners. The objective must be a renewed multilateral order that guarantees a fair level playing field and without protectionism or unjustified trade barriers. At the European level, the interaction between the field of state aid and the field of trade should be intensified to counteract unlawful international subsidies. European free trade agreements rightly include rules on subsidies and competition, but there is a remaining need for further evolving and streamlining.

Focus area 3 – IPCEI:

When it comes to the development of an EU industrial policy, the communication on “Important Projects of Common European Interest”, IPCEI, plays a crucial role. Experience from the application of IPCEI rules in the field of Research, Development and Innovation (i.e. microelectronics and batteries) has clearly shown that the IPCEI process needs to be clarified, simplified and operationalised. This concerns the coordinating roles of the Commission and the relevant Member States, the requirements of the formal process (including possible exclusion of non-suitable projects from interested parties), as well as more practical guidance on the eligibility of the integrated projects (chapeau) and the compatibility of state aid at company level (the respective portfolios). It is also important that the potential role of SMEs is respected and that their possible inclusion in an IPCEI project is

enabled and facilitated. The IPCEI Communication should be amended accordingly.

Focus area 4 – Economically sound undertakings:

Finally, the future framework must not hinder economically sound undertakings from receiving aid because of suboptimal definitions, which is the case today. The “undertaking in difficulty” definition continue to cause problems for our granting authorities. While we agree with the concept of excluding failing firms from most forms of state aid except for Rescue and Restructuring aid, the definition itself contains criteria, some of which have the unfortunate side-effect of excluding economically healthy undertakings from receiving aid, although – from an economic point of view – they should not to be considered as an “undertaking in difficulty”. To address this problem, the Commission should engage Member States and financial experts alike in a joint discussion at workshop level to ensure that these unforeseen side-effects are taken care of in a revised definition.