

Proposed modifications of the Regional Aid Guidelines

First of all, it is important to appreciate the initiative of EC to support transition of coal regions through the (proposed) Just Transition Fund. All of the envisaged activities are of crucial importance for the transition and further development of the coal regions. However, at the same time we do feel, that the Just Transition Fund and the state aid rules do not meet at the moment.

Here are some basic facts - the Treaty on the Functioning of the European Union in Article 107 in paragraph 3, point a) states that the aid is intended to "*promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment in view of their structural, economic and social situation.*"

For now, the regions under the definition of Article 107, paragraph 3, point a), are defined in accordance with GDP relative to the EU average. However, in coal regions there is a need to focus on the importance of the influence of the processes of transformation of the economy. And this will be, e.g. in the case of the Ústí Region in Czech Republic, really more than important.

Based on this we propose to define a new category of regions for "coal regions". The coal regions should be advantaged in the same way as the regions with low GDP.

The Ústí Regions have extremely low rate of economic growth and is lagging behind other regions of the Czech Republic. Slower growth even in times of rapid economic growth and continuing lag is a fundamental internal characteristic of this region and at the same time a key problem that frames other partial and thematically more narrowly characterized problems.

Insufficient level of aid will not be an incentive for companies to carry out transformation processes within these regions, which can have a significant impact on unemployment as well as further economic development.

Following our long-term communication with various stakeholders within the Ústí Region we are of that opinion, that the Regional Aid Guidelines (RAG) are inconvenient for the transformation and transition projects within these regions.

The financial volume of the largest transformation projects could range from 50 to 100 million Eur. And the most of transformation projects will be realized by large enterprises.

Our conclusions:

- At first, the new RAG will be in force from the year 2022. If the enterprises should prepare transformation projects, they should know the conditions for financing these projects. This means, that they should know the state aid rules as soon as possible.
- The aid intensity for large enterprises is proposed to be 30 %. The aid intensity at the level of 30 % is for transformation and transition projects insufficient and un motivating. **The aid intensity for transformation projects should reach up to 80 %.**
- Notification threshold 22,5 million Eur (30 % aid intensity) is also too low. This will mean, that all transformation projects should be notified. **The notification threshold should be increased to 200 million Eur.**
- The draft of the RAG does not allow the support for energy and steel sector. However, the majority of large transformation and transition projects in the Ústí Region will be

implemented by energy (incl. mining) and chemical companies which will have to transform their production to the green production.

- The regional investment aid allows only initial investment. The transformation projects will not be only initial investment. It will be also investments to the transformation of the existing processes.

In paragraph 46 of the RAG's draft is said: *"Regional aid may also contribute the other objectives of the Union such as the Union's Digital strategy and the European Green Deal."*

In paragraph 47 of the RAG's draft is said: *"Regional aid should support the most disadvantaged of the Union's regions. Regional aid may also contribute to the achievement of the objectives of the European Green Deal by providing support for sustainable investment and activities in those regions. This way, regional aid may contribute, through its cohesion objective, to a fair and inclusive green and digital transition."*

Unfortunately, we do not see the link between RAG and the Green Deal. We are of that opinion, that these two themes do not meet. After reading the RAG's draft we are aware, that the transformation projects will not meet the conditions and the limits of GBER and RAG and should be notified.

Most, Ústí Region, Czech Republic, 30th September