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Contribution from Usti Region to the Regional Aid Guidelines (RAG)

Introduction

We very much appreciate the initiative of European Commission to transform coal regions through the Just transition fund. We find all of the supported activities and scope of support very necessary for the Usti Region. Unfortunately, we are of that opinion, that the Just transition fund and the state aid rules do not meet.

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." At present, 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 transformation of the economy. We therefore propose to introduce a new category of regions for coal regions. The coal regions should be advantaged in the same way as the regions with low GDP.

In the Usti Region, about 50% of GDP is made up of industry. Economic activity and employment are concentrated in large companies. A total of 181 large industrial enterprises (with 100 or more employees) are located in the Usti Region. Of these, 169 are large enterprises (with 100 or more employees) in the manufacturing sector. These companies employ 63 thousand persons. Of these, 7 200 persons are employed in coal mining sector. A total of 395 thousand employees are in the Usti Region (16% employees of the total number employed person are in manufacturing sector). It is estimated that due to phasing out of coal mining and decommissioning of coal fired power plant direct and indirect job losses could reach around 20 thousand jobs in the Usti Region in coming years.

Given the structure of industry represented mainly by coal mining, energy and manufacturing industry and number of employees in these sectors, we believe that the region needs support, which would reflect its needs as a coal region. Therefore, we are of that opinion, that there should be specific state aid rules for coal regions.

Insufficient level of aid will not be an incentive for companies to carry out transformation processes, which can have a significant impact on unemployment in the Usti Region (the coal industry employs about 7 200 people, coal and thermal power plants 1 800 employees and large industrial companies using coal as a main source of energy for their production employ about 5 thousand people. Besides focusing on maintaining employment it is also necessary to focus on energy stability of the region - electricity, heat).

Proposed modifications of the RAG

After wide discussion with the largest enterprises which are also the largest employers in the Usti Region and discussion with other relevant subjects in our region, we find the current draft of the Regional aid guidelines inconvenient for the transformation projects.

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

- At first, the new Regional aid guidelines 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 in the Usti Region is proposed 30%. The aid intensity 30 % is for transformation projects insufficient and unmotivating. The aid intensity for transformation projects should be 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 200 million Eur.
- The aid intensity for large investment projects above 50 million Eur will be calculated according the formula, which means adjusted aid amount. This will mean, that the aid intensity for large projects will be lower than 30 %. Which is unmotivating for large enterprises.
- The draft of the regional aid guidelines does not allow the support for steel and energy sector. However, the transformation projects will be realized also by energy companies which will have to transform they 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 Regional aid guidelines 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.

Usti Region

Czech Republic