

## **Comments of the Czech Republic on the public consultation concerning the revision of the Regional Aid Guidelines 2014 - 2020**

### **Background**

Together with the Czech coal regions in transition, we very much appreciate the initiative of the 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 transition and development of the coal regions. On the other hand, we are convinced, 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."

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 transformation of the economy.

A common problem of the Karlovy Vary, Ústí and Moravian-Silesian regions is the low rate of economic growth and 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 these regions and at the same time a key problem that frames other partial and thematically more narrowly characterized problems.

Even the most efficient of the structurally disadvantaged / coal regions, the Moravian-Silesian Region, according to GDP per capita, is still below the Czech average, even if Prague is excluded from the average values, which in the long run represents about a quarter of GDP generated in the Czech Republic. Also, the dynamics of GDP / capita growth is still below average in structurally disadvantaged / coal regions, even though the Moravian-Silesian region is close to the Czech average without Prague. Thus, structurally disadvantaged / coal regions are still lagging behind in growth.

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.

### **Proposed modifications of the Regional Aid Guidelines**

Following our long-term communication with various stakeholders within the Czech coal regions, we are of that opinion, that the Regional aid guidelines are inconvenient for the transformation and transition projects within these regions.

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

Our conclusions:

- 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 is proposed to be 30 %. The aid intensity at the level of 30 % is for transformation and transition projects insufficient and unmotivating. 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 regional aid guidelines does not allow the support for energy and steel sector. However, the majority of large transformation and transition projects will be realized by energy and steel 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 the 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.