

PROPOSED STATE AID ACTION PLAN (2005-2009)

The Chemical Industry Comments – 14 September 2005

The Commission has recently proposed a State Aid Action Plan aiming at being the roadmap for state aid reform (2005 – 2009) on which DG Competition is consulting.

In general terms, Cefic fully agrees with the analysis made by Commissioner Kroes on the current EU State Aid regime when reporting on the main comments made : *“The **Objectives** of state aid discipline are not well known, and understanding them is not made any easier by the current rulebook. Over the years, an **unnecessarily complicated** set of rules, exemptions and guidelines has evolved. Procedures have grown **lengthy and cumbersome**. (...) Commission approval is often perceived as just one **more bureaucratic hurdle** to be jumped at the end, once the decision to grant aid has already been taken.”*¹

While Cefic is leaving to UNICE to comment generally on the Action Plan, the chemical industry would like to comment four areas that were defined as priorities, and would appreciate to be further involved in DG Competition consultations on these areas.

A. R&D State Aid

Creating knowledge and leveraging knowledge and innovation for growth is at the heart of the European effort to reinvigorate the Lisbon Agenda. Our knowledge and our creativity are the key factors for creating a competitive advantage for Europe. Fostering research and innovation therefore is a necessity for Europe and it is vitally important to make sufficient resources available to be able to meet these goals.

In 2004, Cefic together with EuropaBio initiated the European Technology Platform for Sustainable Chemistry (SusChem) to help foster and focus research in Europe in the areas of chemistry and industrial biotechnology. Shaping the European research framework to be more accessible and supportive for innovative companies is one of the key roles of this platform.

Cefic welcomes the Commission proposal for a State Aid Action Plan and generally agrees with the UNICE comments regarding the key priority of R&D in the State Aid proposal. All measures that are meant to strengthen the European research and innovation framework will help innovative companies (large and small) to keep or regain a competitive advantage vis-à-vis their competitors outside the EU.

B. Environmental State Aid

Cefic actively participated in the Commission consultation process at the time of the adoption of the current guidelines. The chemical industry appreciates that the Commission is anticipating their renewal by end 2007, and already started its consultation process, well on time.

¹ Speech of Commissioner Kroes “The State Aid Action Plan – Delivering Less and Better Targeted Aid”, UK Presidency Seminar on State Aid, London 14 July 2005.



At this stage, Cefic has no particular comments to make on the paragraphs 45 and 46 of the proposed Action Plan.

"II. 7 Encouraging an environmentally sustainable future

45. Environmental protection is in itself essential. It can also be a source of competitive advantage for Europe, by providing opportunities for innovation, new markets and increased competitiveness through resource efficiency and investment.

*46. The **Community guidelines on state aid for environmental protection** are applicable until 2007. In 2005, the Commission will start reflecting on ways and means to better address the challenges and opportunities that sustainable development creates, as set out in the Lisbon and Sustainable Development Strategies, especially with the aim of ensuring a full internalisation of environmental costs. In particular, the Commission will attempt to encourage eco-innovation and improvements in productivity through eco-efficiency in line with the Environmental Technologies Action Plan (ETAP). Certain measures might also be exempted under the general block exemption from the obligation to notify the aid."*

C. Energy taxation – Climate change State Aid

The inclusion of paragraphs 68 to 71 into the current guidelines on environmental protection was supported by Cefic at the time of its adoption. Cefic expects that these will also be part of the review of the guidelines that the Commission already initiated, and will also make comments on this issue.

D. Energy / Logistics State Aid

This issue is proposed for the EU Key Priorities on which the Commission intends to focus its work and this is also supported by the chemical industry.

"II. 8 Setting up modern transport, energy and information and communication technology infrastructures

47. The Lisbon action Plan stresses that modern transport, energy and information and communication technology infrastructures throughout the EU territory are a prerequisite for reaping the benefits of a re-invigorated Lisbon Strategy. It therefore invites Member States to fulfil their commitments in terms of investments for Transport and Energy Networks. Member States increasingly rely on Public Private Partnership to build infrastructures. It is thus important that state aid rules are clear for the assessment of public resources involved in Public Private Partnership. More generally, as a consequence of the recent opening of formerly state-controlled markets, public bodies are increasingly involved in a number of markets. This may raise legal issues regarding the application of state aid rules. The Commission will consider the need to issue guidance in those matters."

The chemical industry submits that considerable efforts should be made to improve the applicable procedure with the aim to cut down the procedures hurdles, bureaucracy and length.

When projects are part of the Commission EU Trans European Network systems (TENs) it would be advisable to simplify the procedure for related state aid (as the TENs procedures for adoption involve already not only the Commission, but, also the Council and the Parliament).

Moreover, the lack of infrastructure in general is critical for some sectors such as for petrochemicals but, more generally for the security of supply of energy in Europe. As a consequence, the Commission should encourage private and public, European, national and regional initiatives to build infrastructures if we do not want to experience similar cases of energy delivery ruptures as in the USA. Public Private Partnership is one way to speed up the construction of the required EU infrastructure.

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