

**Contribution to the Communication on IPCEI review consultation:**

France Industrie supports the will of the European Commission to rely on IPCEIs to support the policies and action aiming at achieving common European interest objectives through the strengthening of strategic value chains (e.g., Microelectronics, Batteries, Hydrogen...). In this perspective, France Industrie welcomes the update on the European objectives that can be supported by IPCEIs, especially the new industrial strategy and the European Green Deal. However, to achieve these objectives, the EU must also accelerate the financial support to the Member States considering the global competitiveness, in particular the massive stimulus investments in both the US and China.

**On eligibility criteria:**

***General cumulative criteria:***

France Industrie considers that it is important to adopt a pragmatic approach regarding IPCEIs, without setting a minimum number of Member States. The draft communication sets that an IPCEI must involve at least *four* Member States, which seems likely to unduly disqualify projects that could nevertheless serve very well European common interest. Furthermore, there is a need to ease the spillover effect requirements to take into account the legitimate protection of intellectual property rights as well as the analysis of counterfactual scenarios, which are often complex and sometimes even quite artificial in an IPCEI context. About the spillover effect, the latter should not disregard the need for commercial confidentiality.

According to the draft communication, the aid proposal will have to concern a project with a significant co-financing by the beneficiary. The IPCEIs aims at bringing out projects that the market could not finance alone. It is therefore necessary to remain flexible on the public/private funding allocation to consider the innovative nature of a project and the context of the project – in particular in a post Covid situation which has severely impacted cash availability. It would be better to come back to the previous wording (case-by-case analysis). Moreover, the notion of “significant” seems vague and too imprecise, especially since it is necessary for industrial players to have a stable regulatory framework. Likewise, it is important that state aid rules are transparent, predictable, and non-discriminatory. The obligation to respect the ‘do not significantly harm’ principle raises questions, particularly of a legal nature, therefore calls for caution, as the principle, which is at the heart of the taxonomy regulation, is still under discussion. Although the need for minimal harmonization between the EU taxonomy framework and state aid rules would seem appropriate, the uncertainty about indirect effects of such initiative calls for further impact assessment.

***General positive indicators:***

The draft communication provides that IPCEI should take the taxonomy regulation into account. This approach could come a bit early. Discussions are, for instance, still ongoing regarding relevant thresholds to be used for H2 production and LCA methodologies and while no final decision has been taken yet regarding nuclear. It might be appropriate to wait for feedback from the taxonomy regulation before including it as a criterion for IPCEI and, in general, as a reference for the EU energy policy, in line with the principle of technology neutrality.

***Specific criteria:***

Regarding energy projects, the draft communication sets that, to the extent that they are not RDI projects or projects comprising of first industrial deployment, they must be of great importance for energy, including security of supply. France Industrie considers that security of supply must consider safe, controllable and decarbonized production assets.

Furthermore, we believe that securing access to raw materials should be considered as a criterion for eligibility since it is one of strategic EU’s objectives and of major importance for the success of the European Green Deal. The Covid crisis has confirmed the need to implement tools to secure and address our sovereignty issues.

**On compatibility criteria:**

The draft communication recommends avoiding ex-post over-profitable projects, by limiting the possibility to cumulate an IPCEI aid with other EU funding or State aid and introducing an explicit claw-back mechanism to ensure a balanced sharing of gains when the project is more profitable than forecasted in the funding gap analysis. These rules will penalize projects that could have performed better than the initial analyses as the profitability is difficult to quantify ex ante. It would be rather useful to improve the analysis during the application process than recovering the gains ex post.

**On eligible costs:**

Eligible costs must be extended, particularly regarding “first industrial deployment.” Eligible costs in the context of the first industrial deployment should not be limited to R&D activities and pre-industrialization but also to volume production. CAPEX funding seems to have little incentive since it only concerns depreciation. In this sense, the rules for calculating financial aid related to depreciation must be harmonized within the EU to avoid purely accounting distortions. Moreover, France Industrie considers that eligible costs should cover OPEX when it allows to compensate an economic disadvantage. As previously mentioned, net extra costs calculations are complex and difficult to predict. Using a simple intensity/funding gap approach should be preferred.