

Feedback on the Review of the Communication on Important Projects of Common European Interest (IPCEI)

BASF welcomes the Commission's initiative to review the Communication on important projects of common European interest (IPCEI) before its expiration on 31 December 2021. We appreciate the opportunity to provide feedback on the revised draft Communication. Since BASF is a partner in the "Summer Battery IPCEI", we have already gained comprehensive experience with this instrument, thus hoping that we can make a valuable contribution to this consultation.

Important projects of common European interest (IPCEI) can play an essential role in the transformation of the chemical industry toward a more circular and climate neutral economy and to create a level playing field for key industries and technologies.

The European chemical industry is a key enabler to achieve the EU objectives, in particular the Green Deal. Such ambitions will require significant investment in the chemical industry and access to funding is critical to develop innovative technologies at scale in record time and overcome potential risks that appear due to their large-scale, cross-border nature that is necessary to match the ambition.

We believe IPCEIs to be a suitable instrument to stimulate private investments for R&I and scale-up projects in Europe in full respect of the following overarching principles. It is important to promote and foster value creation and economic activity in Europe as a business location and to achieve technological sovereignty in key industries and technologies while staying open and compliant with state aid rules and international trade law. In order to become more effective, the revised communication will need to broaden the scope of IPCEIs in line with current policies, simplify the rules, improve the governance, and further develop the instrument's flexibility.

General remarks

- Although the concept of IPCEI is very relevant and the dedicated communication from 2014 well structured, the procedure is perceived as complex and slow, with no clear rules and/or guidance on how to effectively proceed to enable successful and speedy implementation of IPCEIs. While BASF understands that this negotiation and determination process is necessary prior to the exact definition of the IPCEI scope, speeding up this process by assigning clear roles and responsibilities, also for the Commission, would be welcomed. For a successful IPCEI it is necessary that prospective applicants are already engaged in the shaping process. The start of the process must be transparently communicated and participation in the process must be possible for all.
- Ideas to speed up the process could include a possible deadline for Member States expressing interest to participate (e.g. 6 months after an initial kick-off meeting of the 4 "founding" Member States with all Member States being invited). This could be complemented by an additional deadline for the whole expression of interest process (e.g. 1 year after the same kick-off meeting).
- It also needs to be mentioned that EU and Member States are using different tools (funding programs) for R&I funding. Not every tool fits every purpose. IPCEI should only be used for projects which are considerably large in significance and investment and for partners which can manage both.

Feedback on specific paragraphs of the draft IPCEI Communication

- **Funding Gap (Paragraph 34 of the draft IPCEI Communication):** The evaluation of the funding gap should be clarified, as it is not clear how the technological, financial and regulatory risks involved can effectively be taken into account. The definition of the counterfactual scenario and the proposed definition for the funding gap can make the evaluation of the necessity and proportionality of the aid difficult.
- **Maximum Funding (Paragraph 34 of the draft IPCEI Communication):** The maximum permissible grant amount is limited by the eligible cost and the funding gap. While grant amount and eligible cost are nominal values, the funding gap is a discounted value. Paragraph 34 explains that the funding gap is the relevant cap for state aid. To avoid misinterpretations, it should not only be mentioned that state aid could cover the complete eligible cost, but also that the nominal value of state aid could be larger than the funding gap as long as the discounted value of the state aid does not exceed the funding gap.
- **Reporting (Paragraph 22 of the draft IPCEI Communication):** The foreseen reporting lines are challenging confidentiality measures and introduce a duplication of reporting structures. Details for reporting business confidential and financial data are missing. This should be clarified, restricting exchange of these kinds of data to reporting between Member States and EU as well as Member States and their beneficiaries, only. This means while best practice data and collaborative information should be reported to the EU stakeholders (alliance, European Commission) and between the participants in order to build an ecosystem for the respective strategic value chain of the IPCEI, sensitive data (project specific data, milestones, KPIs) should need to be reported to the actual grantor Member State only. Thus, business confidential information can be protected while at the same time synergies for the value chain are created. We also recommend to fully digitalize the project controlling and administration process e.g. with tools like “profi online” to simplify the process for all participants.
- **Agility and speed (Footnote 24 of the draft IPCEI Communication)** are essential for IPCEI projects. While EU rules permit starting work on the project without jeopardizing eligibility once the proposal has been submitted, national rules (e.g. in Germany) often do not provide this possibility. Future IPCEI rules should therefore include regulation that the invitation to submit a project portfolio also serves as the permit to start first activities (on the own risk of the applicant) and such allow participants to gain valuable time in the implementation of the project. On a similar note, Footnote 24 should clearly state what is considered as “aid application”. Since the process of Expression of Interest, Project Portfolio, national funding application forms can take several years it is important that an early step in the process (e.g. submission of Expression of Interest to Member State) is used to determine the date of the “aid application”.

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EU Transparency Register ID: 7410939793-88