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Report

Version Submitted Version

Topic **Communication on State aid rules for Important Projects of Common European Interest (the "IPCEI Communication")**

Description Review of the Communication on important projects of common European interest (IPCEI)

Bosch's comments on the Review of the Communication on important projects of common European interest

Bosch generally welcomes the review of the current Communication on Important Projects of Common European Interest (IPCEI) also in regard of the new Commission's goals, such as the European Green Deal, the Industrial Strategy, the Digital Strategy, and the Commission's plan for the post COVID-19 recovery of the European economy.

The green and digital transition requires huge investments and a high degree of coordination in the entire sectors as well as cross-sectoral. For example, hydrogen and fuel cell technology for stationary and mobile applications, communication technologies, microelectronics and automated driving technologies have been identified as strategic value chains. They can become important facilitators for the transformation of industry as well as of the energy and mobility sector to reduce global warming in line with the Paris Agreement objectives.

The IPCEI instrument can therefore play a key role to help companies invest in areas with high R&D intensity which would otherwise not be feasible. IPCEIs are crucial instruments to strengthen the competitiveness of the European industry in a global context. The EU needs to respond to increasing government incentives for particular industries outside Europe, e.g. state aid in China and the US in the double to triple-digit billions (EUR) range. IPCEIs play an important role to allow European companies to continue to invest in Europe and expand global market shares of European based manufacturing.

For these reasons, IPCEIs can play a crucial role for Europe's ambition to strengthen its footprint in the key industries of the future. The first IPCEI projects have proven IPCEI to be a suitable tool to support first industrialisation and scale-up of innovative technologies.

Regarding the current consultation we would like to comment to the following points of the draft communication:

Eligibility criteria:

- 18. The communication highlights the need for synchronization between the Member States, who must be given a genuine opportunity to join an emerging IPCEI project. Ensuring that all member states receive already at an early time the opportunity to participate in an emerging IPCEI seems important. In this way, it should be possible to reduce unilateral action by individual member states, desynchronisation or delays in the implementation in the future.

- 19. The fact that a project financed by only one Member State, which makes a significant contribution to a political Union objective, may also have a positive spill-over effect on another Member State or Member States should not be neglected. We therefore support spillovers as a key eligibility criterion. Yet, IP exploitation should be balanced against a legitimate interest for beneficiaries to safeguard their knowledge assets. That should be at the core of the IPCEI framework, as it will maintain incentives to invest over time.

- 25. The definition of First Industrial Deployment (FID) is important, but it remains unclear to what extent the "first-in-kind" concept can be used to scale up to competitive series production, or whether this means that support is no longer available at the decisive step towards global competitiveness with production at scale.

    - Eligible costs are limited to the depreciation until first commercial activities (End of FID). Especially in industry sectors with typically high production volumes (e.g. semiconductors) the financial and technical risks in upscaling the production to an economically viable volume are still very high. Even though there might be first commercial activities with lead customers at low volume, many technical learning cycles, qualification at further customers and additional investment is necessary to ramp production to a competitive volume.

    - We therefore encourage the Commission to reflect about the possibility to fund, at least partly, activities related to the early production phase of an investment. The fact that such activities are somewhat “closer to the market” and may therefore have a greater effect on competition than the support of pure R&D&I and FID related funding, could be reflected in lower aid intensities for this part of an IPCEI.

  - With regard to common European objectives, such as the Digital Strategy, the IPCEI Communication should give more detailed guidance about the definition of FID for e.g. new software products and services or data driven innovations.

- 30. We appreciate that "societal challenges" are added next to "important market or systemic failures" as justifications for the IPCEIs. This may widen the group of compatible projects.

Compatibility Criteria:

- 37. Legal and financial certainty is essential for a company to invest. Therefore, a claw-back mechanism, if considered necessary, has to be carefully designed:

  - The mechanism as described in the Commission's communication is asymmetrical, i.e. if the underlying business model performs better in reality and better than planned, the funding body benefits accordingly, but in the other direction, if the funding gap turns out to be larger than initially expected, there is no provision for increased support.

  - Second, the recovery of funding must only be based on proven eligibility violations based on clear, transparent and predefined funding rules and continuously assessed during and at the end of the project.

  - Third, any financial returns from an IPCEI due to a faster market uptake of the product or technology than initially expected at the time the funding gap was calculated, should be exempted from repayment obligations. Any faster uptake only serves to accelerate the intended project goals of enforcing the intended EU policies, maintaining or establishing technological leadership, industrial deployment and securing of highly qualified employment in Europe.

  - A claw-back mechanism is thus fundamentally contrary to IPCEI's goal, namely risk minimisation for investments in attractive but risky business areas and technologies. It can lead to economic difficulties for the subsidised company and is also an unpredictable risk for the company.

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Annex – Eligible Costs

- The specific criteria with respect to the definition of eligible costs in case of investments (only depreciation according to project lifetime) makes it unattractive to undertake such investments in Europe. The effectiveness of IPCEI with regard to its stated goals is severely limited by such regulation. In particular, investments in building manufacturing capabilities in Europe will not be supported to the necessary extent. Therefore support should be provided on an expenditure basis (instead of cost basis for capital expenditure (property, plants, buildings)). Especially investments in a new building with a depreciation life time of more than 20 years or investments in the second half of the project would result in only very marginal funding compared to similar investments outside of Europe.

General Remarks:

- It is critically important to considerably simplify the overall IPCEI framework for potential applicants while simultaneously ensure that the instrument and the projects maintain a European character.

- As the instrument specifically targets the crucial phase between R&D&I and mass production, it is highly relevant to make sure that as little as possible time is spend for the application and selection process to guarantee Europe's competitiveness in the respective fields. An early involvement of Members States is also crucial to fasten the procedure. Generally the national implementation needs to be faster.

- Agile procedures should be in place in order to allow for and react to new market realities plus any other unforeseen events during the initiation of the IPCEI.

- In the past, there has been a lack of clarity with regard to the calculation of the funding gap, which is important for the funding rate; the draft does not properly address this issue.

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