**Airbus contribution to the EEAG State aid guidelines revision consultation**

**Context**

The unprecedented economic crisis induced by the COVID-19 pandemic, requires making the Green Pact a lever for a successful exit from the crisis; the objective is to make the climate transition a success, to mobilize the necessary funding - public and private - and to strengthen the resilience of the European economy. This objective cannot be dissociated from the issue of digital transition. Success on both counts will be a fundamental factor in the competitiveness of businesses. In this context, it is important to stress that the current crisis has greatly reduced the resources of companies, which will have to be more ambitious and take more risks, particularly in terms of research, with fewer available resources. It will therefore be very important that competition law provides, in its various branches, significant incentives in this regard, does not unduly complicate or hamper essential broad cooperation and take full account, as efficiency, of the positive contributions to the European Green Deal.

It should be stressed in this respect that our non EU competitors (US, China) will be heavily supported by their Home States in pursuing their environmental transition, as this will become a key competitiveness factor. This will need to be fully taken into account, both in the definition of the scope of the EEAG guidelines as in the compatibility assessment (para. 23 and 34 for instance). This would be fully in line with the current EU Commission level playing field instrument initiative. It would be recommended, in this respect, to develop some sort of Observatory of public support granted to non-EU competitors. This would also be useful for the implementation of the proposed level playing field EU instrument. From a global level playing field perspective, it should finally be noted that compliance with reinforced EU environmental expectations will represent a significant cost for companies. The fact that certain States or certain companies, European or extra-European, apply a standard lower than European standards would be a source of unfair competition which should be taken into account.

As part of the development of the EU Green Deal and associated objectives and targets, it should be also highlighted that the air transport sector is expected to bring its own strong contribution to fight climate change. Among others, the EU Sustainable and Smart mobility strategy sets a target of zero-emission aircraft to be ready for market by 2035, which also goes together with the development of the appropriate ecosystem to make it practicable. The Hydrogen strategy for a climate-neutral Europe recognises hydrogen as a long-term option to decarbonise aviation and also the research and innovation efforts required to achieve this objective.

In parallel, the entire european aviation sector acknowledges the importance of working towards net-zero CO2 emissions by 2050, while achieving significant emission reductions by 2030, thus contributing to the EU Climate Action objectives (cf. Aviation Round Table Report on the Recovery of European Aviation, Nov. 2020), and also stressing the importance of technology and innovation in improving the environmental performance of the sector.

Against this background, we set out below our key comments with respect to the current applicable State aid Guidelines.

* EU Objectives: the objectives contained in the 2014 Regulation need to be updated and enlarged, to mirror the scope and ambition of the EU Green Deal. This will notably involve an emphasis on environmental mitigation, adaptation for climate action, and explicit reference to key future sources of energy, such as hydrogen and sustainable fuels. The need to develop entire value chains allowing the use, in air transport for instance, of such new sources of energy also needs to be acknowledged. These elements will need to be reflected in the sections of the Guidelines relating to the compatibility assessment (current paragraph 23) and to the contribution to the objectives of common interest (current paragraph 30).
* In this respect, it should be stressed that the design and manufacture of environmentally friendly products or means of transport, as well as financing of environmental protection measures relating to air transport infrastructure are explicitly excluded from the 2014 Guidelines scope (paragraph (15)). We understand that this is based upon the logic of granting aid to consumers and users rather than to the offerors on the market.

This approach cannot be maintained in the current context, when extremely ambitious targets are set in the perspective of the EU Green Deal to decarbonise air transport, while the COVID crisis is hitting our sector extremely strongly and will continue to impact us in the next years. Industry is more than willing to engage in this revolution, but it will require massive CAPEX and OPEX investment in relation to new sources of energy and negative emissions technologies (hydrogen, sustainable aviation fuels, Direct Air Carbon Capture) and throughout all necessary industrial stages. For instance, Airbus is engaging upon a very ambitious path to reach the operation of zero emission aircraft (the ZeroE project) by 2035). Beyond the R&T/R&D activity, State aid granted under the EEAG will be indispensable to support the financing of major projects, such as the construction of new low-carbon energy production assets and transportation and storage infrastructures. Related infrastructures will need to be considered as energy infrastructure within the meaning of paragraph (19 - 31) of the 2014 guidelines, also opening the benefit of State support up to the effective funding gap, as set out under paragraph 76.

* The transition in the air transport sector to new sources of energy, notably hydrogen and sustainable fuels, will require the involvement of numerous stakeholders, within and beyond the scope of our ecosystem. This will be true for instance for energy generation, transportation and storage. The existence of a market failure (asymmetry of information notably, para. 35 d)) will be particularly important criteria, and should not be construed in a excessively narrow way, to allow State aid granted under the future EEAG to act as a key catalyst, contributing to attract and structure wide cooperation projects, even on a cross industry and transnational or European basis. The existence of a market failure should be assessed in the particularly ambitious framework of the Green Deal agenda, which requires extremely wide, bold and fast developing initiatives and the particularly severe consequences of the COVID crisis, which massively impact our self funding abilities. The EU Commission has rightly acknowledged that this crisis qualified as a serious disturbance of the EU economy under Article 107(3)b TFEU.
* The acquisition of more environmentally friendly transport vehicles (such as greener aircraft to be acquired by airlines) should be made possible with appropriate State support, and without overly stringent or complex conditions. This would reduce significantly climate impact within a short time frame, in particular given the fact that the Covid crisis has severely impacted the financial capacity of customers.
* It would be important to include in other State aid frameworks, in particular in the one relating to RDI aid, provisions allowing to benefit from additional public funding (bonus) in cases where the RDI concerns activities which would bring a particularly strong environmental benefit, and involve an important degree of risk and innovation.
* With regards to activities falling in the scope of the guidelines, we would have the following remarks:
  + Life Cycle studies will be necessary in the next decade for evaluating projects and initiatives to decarbonise (here there is a link with materials and substances/what Sylvie sent). Accordingly, availability of support under the EEAG guidelines should be maintained as long as the environmental studies are not covered by research aid
  + Carbon Capture: the scope of the Guidelines and the definition of “*aid for CO2 capture, transport and storage including individual elements of the Carbon Capture Storage (‘CCS’) chain*” (currently under paragraph (19 - 33) of the Guidelines) should both be enlarged to explicitly include Direct Air Carbon Capture and Storage, as well as Carbon Capture and Utilisation. Regarding Direct Air Carbon Capture and Storage, State aid support should allow to fund much more ambitious processes, involving the storage in a distant location from the facility itself and in significantly greater volumes. This implies that EEAG State aid should be available in amounts in line with the ambition of such projects.

This will require investment aid as well as operating aid, which will be as important as the investment aid, should therefore be allowed by the future EEAG. Indeed, even beyond Capex investment, operating aid will most probably be necessary with respect to Power to Liquid (cf. current paragraph 20 c)), at least in a first phase, to bridge the gap between the production cost and available market prices.

* + The definition of biofuels and sustainable biofuels should explicitly be enlarged to comprise Power to Liquid fuels, as these will constitute an indispensable element in the air transport sector environmental roadmap. The scope should here be aligned with the Renewable Energy Directive II one.
  + As previously mentioned, the definition of energy infrastructure should be enlarged to encompass infrastructure necessary to the development of hydrogen and renewable fuels. Developing a Zero Emission aircraft will not be useful unless the appropriate production means and necessary transportation infrastructures are not equally in place. A definition of biogas should also be included.

**Need for State intervention**

* The current guidelines specify at paragraph 36 that the “*mere existence of market failures is not sufficient to justify State intervention*”, referring to the fact that other regulations and tools need to be taken into account in this context. This should not preclude the availability of state support in cases where such other measures do not produce effects sufficiently quickly. It should also be indispensable to take into account support that our non-EU competitors will receive to support their environmental transition, to ensure the necessary level playing field.

**Compatibility assessment**

* From a general point, we consider that significantly less emphasis should be placed on the counterfactual scenario assessment, in particular given the fact that the Green Deal ambition will require companies to trigger initiatives and projects without any bearing with what would have been done otherwise or in the past. In addition, conducting counterfactual analysis on the company basis while the industrial projects will be collective in nature will no doubt raise complicated (and often unnecessary) questions. For instance, progressing towards the Zero Emission aircraft at an extremely ambitious pace, will require wide cooperation throughout our sector and beyond. Characterising counterfactual scenarios on a company per company basis could be artificial and generally unduly complex. In any event, any counterfactual scenario could only be characterised on the basis of actual internal clear documents from the companies concerned, rather than from theoretical or hypothetical assessments.

It should be noted, regarding the 2014 EEAG guidelines, that the counterfactual analysis creates a specific uncertainty since the calculation of eligible costs is determined by comparison to the costs which would have been incurred in the counterfactual scenario or even in a “comparable” scenario. Relying less on the counterfactual scenario, and more on the simpler application of intensity thresholds or of a funding gap method in order to determine the amount of admissible aid amounts would improve significantly the predictability of State aid rules and their simple application.

* Along the same line, we consider that the net extra cost does not constitute an appropriate proportionality indicator, as it is extremely difficult to predict and assess, while the environmental projects that will need to be set up and conducted in the perspective of the Green Deal ambition will require long-term and stable visibility and ability to anticipate, including on the key financial support element. Again, we consider that the reference to predictable intensity percentages, or to funding gaps, would be preferable to the much more complex net extra cost assessment.

**Aid intensities**

* In the current context of scarcity of company resources induced by the Covid crisis and of particularly strong EU ambitions with regard to climate change, a specific increase of available intensities should be provided for, in order to support particularly ambitious and risky projects, which are required to meet the EU Green Deal targets.
* In addition, as previously set out, fulfilling the EU Green Deal ambitions will require extensive corporations throughout and across ecosystems. The bonus currently available to smaller companies only should be extended, in line with what is provided for in other guidelines such as the ones applicable to R&D activities, to allow higher funding as well for large companies when these act in close cooperation projects with SMEs or ETIs.