

**R&D&I state aid rules**  
**Frequently asked questions**

***Q: The Commission announced that Member States will get more leeway for implementing R&D&I aid measures without prior Commission approval. What does this mean in concrete terms?***

**A:** The thresholds up to which R&D&I aid can be granted without prior Commission scrutiny have been significantly increased in the new General Block Exemption regulation (GBER): for example, aid of up to 15 million euros can be awarded for a project that reaches into the prototyping phase, without prior approval. This threshold is even re-doubled for EUREKA projects, which are cross-border and collaborative, and for projects carried out in the context of EU Joint Undertakings. Previously, the notification thresholds were merely half as high. The new GBER provides for the relevant conditions.

***Q: The Commission announced that it will focus its attention on large R&D&I aid measures, and that the new R&D&I Framework provides for clear and comprehensive rules for the detailed assessment of large R&D&I aid. Will the rules become stricter?***

**A:** The approach will not substantially change. There will rather be more specifics on the quality and detail of information required. This should speed up the assessment process. For example, aid is only proportional if it is limited to the minimum amount required to trigger an actual increase in the level of R&D activities, that is to say to render the relevant project sufficiently profitable. The new Framework gives detailed explanations on how such 'increase' can be established: by comparing a project's risks and profitability either with a realistic alternative scenario without aid or, if no such 'Plan B' exists, with industry-specific indicators.

***Q: Will the new rules have any measurable effect on growth and jobs in the EU?***

**A:** The new rules will make sure that state aid gives industry an incentive to undertake additional R&D&I investments. For instance, in the area of industrial biotechnology, it is estimated that every euro invested into research and innovation will result in a tenfold return. If both public and private R&D&I spending reach 3% of EU GDP by 2020, this could create 3.7 million jobs and increase annual GDP by 795 billion euros by 2025.

***Q: On the one hand, the EU massively supports research and innovation (R&I) with Horizon 2020. On the other hand, state aid rules restrict Member State support for R&I. Why this ambivalence?***

**A:** There is no ambivalence. Both approaches are complementary as they are both seeking to maintain a level playing field for undertakings. That is why Horizon 2020 was designed in accordance with EU state aid rules. For example, the allowed maximum funding rate for close-to-market projects that involve prototyping and testing is 70% of eligible costs under Horizon 2020 and is also 70% under the R&D&I Framework, for large enterprises as long as the project is collaborative. Horizon 2020 projects are anyway collaborative.

***Q: Global competition is strong. Countries like China and the US are massively supporting their industries' R&D&I. Should we not allow R&D&I aid at least at the same level?***

**A:** Categorically aligning aid levels inside the EU to alleged ones abroad is not a good idea - this could result in windfall profits to mobile investors and fuel subsidy races at global level. State aid rules are actually flexible enough to allow for aid that is sufficiently high and is awarded where it is needed. Firstly, the regular aid ceilings laid down in the R&D&I Framework are fairly high – e.g. up to 70% of eligible costs for applied research for large undertakings, and even up to 90% for small ones. Secondly, such regular ceilings may even be exceeded for important projects of common European interest.

***Q: Will there be more generous rules for supporting certain technology developments that could spur growth and competitiveness (e.g. micro-electronics or biotechnology)?***

**A:** The new R&D&I Framework will provide the best possible environment for aid for the validation of innovative technologies and their transition to manufacturing:

- by clear definitions of eligible prototyping and demonstration activities;
- by aid intensities that are more flexible than before (e.g. up to 70% for large enterprises for prototype development);
- by abandoning the requirement to deduct revenues generated by prototypes and demonstration projects from the project's eligible costs.

***Q: Why not relax state aid rules (higher aid levels, less strict control)?***

**A:** State aid control is an essential tool to safeguard effective competition and free trade on the internal market as the most effective driver of innovation. Relaxed standards could result in the approval of aid that has a very high potential to distort competition and to affect trade between Member States. They could even result in a subsidy war between Member States, leading to waste of public resources.

***Q: The economic crisis is not over yet. Should R&D&I state aid rules not be much more generous as long as the crisis has not been overcome?***

**A:** First of all, state aid rules have become more generous: higher aid intensities, more margin to grant aid without prior notification. Nevertheless, effective state aid control is necessary to safeguard undistorted competition as the main driver to promote competitiveness also in a global context. The financial crisis showcased this: abandoning EU competition discipline would have risked a disintegration of the internal market. Instead, state aid rules proved to be an integral part of the solution, supporting the stabilisation of European banks, while guaranteeing the common European interest.

***Q: The rules for innovation aid to the shipbuilding industry will expire soon, so innovation aid for this sector is now subject to regular R&D&I rules. Will this put the European shipbuilding industry at a disadvantage compared to its global competitors?***

**A:** No. First of all, those activities that could be supported with innovation aid under the shipbuilding framework can clearly continue to be supported as experimental development under the R&D&I Framework. Moreover, the conditions for such aid will be more favourable than under the previous shipbuilding framework: for example, the allowed aid intensity for prototype development is higher under the new rules, and commercial profits from prototypes – even if there will be a whole series of ships based on that same prototype – do not have to be offset with the aid.

***Q: What is the starting point of the 10 year period for operating aid for innovation clusters?***

**A:** Operating aid in the field of R&D&I is very rare and, where it is allowed, it must be temporary. Already under the previous R&D&I Framework, operating aid for innovation clusters could be provided on a temporary basis for a period of 5 years, or up to 10 years in duly justified cases. In the new R&D&I rules (GBER and R&D&I Framework), the Commission for the first time block exempted this aid category whilst providing for a general application of the 10 year period. This means that the starting date is the date of the first aid granted to a particular cluster. For instance, if such aid was provided under the previous Framework as of 2009, it can continue to be granted for that cluster until 2019.