# Facilitating decarbonisation of European industrial processes through State Aid

## Position – General Block Exemption Regulation

thyssenkrupp Steel Europe AG | 07 December 2021

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### Key Messages

1. The General Block Exemption Regulation ("GBER") under current revision must adequately take into consideration the scale of the challenge industry is facing on its journey to decarbonisation and must be targeted towards supporting companies in bringing breakthrough technologies to market.

2. As a leading European producer of premium steel, thyssenkrupp Steel Europe will lead the shift to climate neutral production based on hydrogen. We are ready to deploy and scale these breakthrough technologies, notably to substitute coal-based blast furnaces with hydrogen-based direct reduction units and smelters in order to reduce our CO2 emissions by 30% in 2030 (relative to 2018) and make our steel production climate-neutral by mid-century.

3. Such a transformation of the steel industry will require huge investments both now, and in the years to come. thyssenkrupp Steel Europe estimates the total investments to become climate neutral by 2045 will amount to approximately €8 billion.

4. The scale of investment needed, therefore cannot rest on the shoulders of individual companies alone. Industry will need significant government support including better coverage of operating and capital expenditures to realise this transformation. More specifically, flexibility in the EU's General Block Exemption Regulation will be critical for the industry to become hydrogen-ready.

5. Key to the decarbonisation of steel will be the fast expansion of clean hydrogen production, large-scale infrastructure networks and transport capacities within Europe and beyond. This is best coordinated through measures under different funding schemes.

### Recommendation

thyssenkrupp Steel Europe welcomes the introduction of **article 36** which explicitly **allows investments aid for climate protection in equipment, machinery and industrial production using renewable, low-carbon hydrogen and natural gas.**

In our view, GBER should also **increase aid intensity for environmental protection measures, including climate for protection, up to 100 % when a competitive bidding process cannot take place.**

According to the revised text of GBER, the aid intensity of investments in technologies under Article 36 may reach 100 % of the eligible costs where aid is granted in a competitive bidding process.

However, the GBER revision proposal does not address a situation where a bidding process cannot take place or if not all preconditions for a bidding process are fulfilled, for example, when there is no competition or when projects are not comparable.

The prerequisite for competition is the existence of a market and thus a minimum diversity of actors and projects to ensure sufficient competition. This is difficult in a market where there are not many players such as in the steel industry.

This is even more difficult when a market has not yet been established and massive investments in innovative technologies are necessary by 2030, as hydrogen-based processes in the steel industry. Hence, for these innovative projects, **where the application of competitive bidding processes is not possible, an aid intensity up to 100 % should be allowed.**

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