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**NOTE**

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From: Trio Presidency  
To: Working Party on Competitiveness and Growth (High Level)  
Subject: Strategic objectives and governance of Important Projects of Common European Interest (IPCEI)

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Delegations will find in Annex a Trio Presidency note on Important Projects of Common European Interest (IPCEI), in view of the meeting of the Working Party on Competitiveness and Growth (High Level) on 9 November 2022.

The Commission is entrusted with State aid control and compliance with the TFEU, including Article 107(3)(b) of the TFEU that enables Member States to promote the execution of Important Projects of Common European Interest (IPCEI). The Commission's 2021 IPCEI Communication<sup>1</sup> sets out the criteria for approving State aid under this legal basis.

IPCEIs represent an important contribution to the achievement of strategic objectives of the Union, including the green transition and open strategic autonomy, notably in view of their positive spill-over effects. They bring together Member States and stakeholders throughout the Union to undertake integrated and large-scale projects that provide significant benefits to the Union and its citizens, overcoming important market or systemic failures and societal challenges, which could be difficult to address otherwise.

In this way IPCEIs can make an important contribution to innovation, and industrial policies, leading to sustainable economic growth and jobs, as well as competitiveness and resilience<sup>2</sup> for the economy in the Union. They can also contribute to a sustainable and long-term recovery following serious economic disturbances, such as those caused by the COVID-19 pandemic or the Russia's aggression against Ukraine, and support efforts to strengthen the Union's social and economic resilience.

IPCEIs are relevant for policies and actions that pursue common European objectives, in particular as regards the European Green Deal or the Digital Strategy. In appropriate cases, where the criteria are met, industrial alliances can help to prepare IPCEIs, such as in the case of batteries, and hydrogen.

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<sup>1</sup> Communication from the Commission - Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest (2021/C 528/02).

<sup>2</sup> According to the IPCEI Communication, the Commission will also take a positive note if, amongst others, the project addresses a clearly identified and significant strategic dependency.

With its 2021 IPCEI Communication, the Commission enhanced the European and open character of IPCEIs. IPCEIs must involve at least four Member States and have to be designed in a transparent and inclusive manner to ensure that all Member States are well informed of the possible emergence of an IPCEI and are given the opportunity to participate.

In addition, the 2021 IPCEI Communication facilitates the participation of small and medium sized enterprises (SMEs) in IPCEIs and enhances the benefits of their involvement, through specific facilitations for the assessment of the compatibility of the aid to SMEs, such as the possibility for smaller companies to have a more limited own contribution to the projects than otherwise required. The IPCEI Communication also encourages collaborations between larger companies participating in an IPCEI and SMEs thus enabling SMEs to become part of the IPCEI “ecosystem” without being direct beneficiaries under IPCEI rules.

### *Assessment of IPCEIs*

IPCEIs are not an ‘exception’ to State aid rules, but a key part of the State aid toolbox. Member States are in the driving seat to design an IPCEI and identify its scope, which needs to be justified by the market failure it aims to address. The Commission treats IPCEIs as a matter of priority and stands ready to support Member States’ plans, provide guidance and swiftly assess projects.

Every project participating in an IPCEI must comply with a number of eligibility and compatibility criteria. In this sense, the IPCEI rules offer no ‘fast track’ compared to other State aid guidelines. In particular, these large and ambitious EU-wide projects require coordination and cross-border collaborations among many EU companies and authorities and need significant efforts to put together. It is also expected from the companies participating to the IPCEI that they contribute to the strategic objectives of the Union, and to the development of the entire European value chain.

The timing of the assessment depends on the quality of the individual projects and on timely and complete information. In addition, manageability is also an important factor; IPCEIs comprising a large number of large projects necessarily take longer to assess.

It is important to stress that not all projects and investments qualify under this specific set of State aid rules, which by their nature cover only very large, risky and ambitious cross border projects, notably for breakthrough innovations or the construction of open infrastructure of great importance for the EU. IPCEI projects pursuing research and development and innovation (R&D&I) activities or First Industrial Deployment must go beyond the global state of the art and develop fundamentally innovative technologies or processes. IPCEI rules do not allow for aid for the mass production phase.

### *IPCEIs on Hydrogen*

In July and September 2022, the Commission approved two IPCEIs - Hy2Tech and Hy2Use - in the hydrogen sector. They include a total of 76 projects, across 16 Member States. The IPCEI Hy2Tech focuses on the development of key enabling hydrogen technologies and the IPCEI Hy2Use on hydrogen infrastructure projects and innovative projects for industrial applications of hydrogen.

These two IPCEIs will have a key role in kick-starting the hydrogen value chain in the Union. Approximately EUR 11 billion of public support are expected to trigger around EUR 16 billion of private investments. The assessment took respectively 10.5 and 12 months from the moment when the projects were pre-notified and three to four weeks after notification.

Looking ahead, the Commission services are working on other IPCEIs in the making, in the hydrogen but also other sectors, such as next-generation cloud and microelectronics.

### *Lessons learnt*

The Commission's assessment and monitoring of the two hydrogen IPCEIs, the two batteries IPCEIs, the microelectronics IPCEI and the on-going assessment of other currently pre-notified IPCEIs showed a number of common issues, which could be the starting point for further discussions with Member States on how to improve the preparation, governance and implementation of IPCEIs.

In this respect it is important to recall that Member States and the Commission share a common responsibility and common objective.

The Commission's assessment aims, amongst others, to ensure that the projects have sufficient spill-over effects beyond the participating companies and Member States and that the amount of aid finally approved is the strict minimum needed by the companies to implement the projects.

For a rapid assessment of the IPCEIs, the adequacy of the projects to the objective of the IPCEIs guidelines as the only state aid tool that could be implemented (instead of other legal basis and in particular tools from 107.3 c) of the Treaty), the quality of the projects and project data submitted is of key relevance. For example, in the two recently approved hydrogen IPCEIs, several of the initially pre-notified projects needed to be removed either because they were of too poor quality or were transferred for assessment under the Climate, Environment protection and Energy Aid Guidelines (CEEAG) as they did not fit with the IPCEI rules. Quality issues can relate to various parts of the project, for example an insufficiently innovative content, a poor project description or an exaggerated funding gap calculation. Trying to solve such quality issues leads to additional workload for all parties involved and causes delays in the assessment.

Member States thus need to commit to the relevant IPCEI by screening its substance and form. This implies that Member States need to vet carefully any project before - proposing it to the coordinating Member State and pre-notifying it to the Commission and commit to the accuracy of the information provided. Member States -need to apply due diligence throughout the process and at the same time support and challenge companies as regards their projects and data. - The Commission treats IPCEIs as priority, welcomes the resources provided by some Member States and encourages other Member States to contribute to strengthening the Commission's teams as well.

There has also been a discussion on how to improve the participation rate of companies from all Member States, in particular from those facing budgetary constraints in connection with investment incentives policies. This has led to suggestions for increasing synergies between IPCEIs and EU cohesion funds and other EU financial instruments.

The coordinating Member State has a very important role to play throughout the process. It should have profound IPCEI knowledge and experience and maintain close cooperation with the Commission and with the other participating Member States.

Also, as said above, not every project qualifies as part of an IPCEI, and often other State aid rules might actually be better suited to allow for adequate support. The Commission will indicate such issues and possibilities early on in the process. Taking hydrogen as an example, individual stand-alone decarbonisation projects do not fit under the IPCEI rules, but can be supported under the CEEAG, as shown by recent Commission decisions. For smaller projects, the General Block Exemption Regulation could be used as a valid alternative. Despite the use of a different legal basis, such projects can remain part of an IPCEI ecosystem.

Given the number of approved and ongoing IPCEIs, Member States are invited to share past experiences and best practices on IPCEIs within their national authorities and with each other.

**Questions:**

1. How can we ensure the contribution of IPCEIs to our long-term strategic objectives, addressing market failures and structurally strengthening strategic value chains?
2. How can the governance of the IPCEI process become more structured and build on best practices? How can we improve the wider participation in IPCEIs from all Member States?
3. To what extent is it appropriate to include projects contributing to the same strategic objectives, but with a different legal basis, in a broad IPCEI ecosystem?