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WORKING DOCUMENT

From:	Presidency
To:	Working Party on Competition
Subject:	Comments from Member States to the Presidency discussion paper on the points of interest of Member States in the State aid field

COMMENTS FROM MEMBER STATES TO THE PRESIDENCY DISCUSSION PAPER ON THE POINTS OF INTEREST OF MEMBER STATES IN THE STATE AID FIELD

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Questions for all Member States (see WK 1453/25):

1. Please, list 1, 2 maximum 3 **topics that are currently the biggest problems or priorities for your country** in State aid policy and explain why; is this a problem unique to your country or could it also affect other EU countries or the internal market?
2. Please, indicate how, in your opinion, this **problem could be solved**; what can countries do, what can the Commission or other institutions do about it?
3. Please, indicate whether, and if so, **how the proposed solution could affect other Member States and – if it is possible to determine – the internal market**; what positive impact the solution to this problem could have on the EU?; could it be also beneficial for other Member States and the EU economy?
4. Which of the **current solutions/provisions work well, in your opinion, and should be kept** in future?

1. COMMENTS FROM BELGIUM

WP Competition – 17/02/25 Point 5 : Points of interest of Member States in the State aid field Messages clés

Remarque générale :

- La réforme annoncée du cadre européen des aides d'Etat, en s'appuyant sur l'expérience du TCTF est un sujet de préoccupations :
  - **Risque de distorsion** du *Level Playing Field* et du Marché intérieur ;
  - **Contraintes budgétaires** des petits Etats-membres.
- BE demande le respect des priorités suivantes :
  - Un **retour au cadre habituel des aides d'Etat**, avec pour principales préoccupations le rétablissement de conditions de concurrence équitables et le maintien de l'intégrité du marché intérieur.
  - Une **analyse des problèmes fondée sur des données probantes** et un évaluation de l'impact des différents instruments et options politiques avant d'introduire des changements majeurs au cadre des aides d'Etat ;
  - Une **coopération européenne** pour relever des défis communs plutôt qu'une action unilatérale.
- Par ailleurs, nous plaidons pour le **renforcement des équipes de la DG COMP**. Cela permettra d'alléger et accélérer les procédures de notification, ce qui aura un impact bénéfique sur les PME.

Remarques techniques :

- **Difficile de prioriser 3 difficultés** rencontrées dans la réglementation européenne en matière d'aides d'Etat. Elles **varient selon la nature des acteurs octroyant des aides d'Etat, les acteurs économiques concernés, les secteurs d'activités, etc.**
- De plus, l'utilisation et l'interprétation complexes des concepts et définitions encadrant les aides d'Etat impactent directement **la charge administrative et les exercices de reporting**. Simplifier et harmoniser les règles, en particulier celles du GBER, amènera davantage de sécurité juridique tout en favorisant des retombées positives.
- Les **3 obstacles les plus récurrents** sont les suivants :
  1. **Le concept de l'entreprise unique et la définition de la taille de l'entreprise** :
     - Le **concept d'entreprise unique** est applicable dans le cadre des règlements de minimis et constitue une **charge administrative totalement disproportionnée** face à des interventions de faible montant, tant pour les organismes subsidiants que pour les entreprises bénéficiaires, notamment les PME.
     - Ces deux concepts engendrent une **insécurité juridique** :
       - **Part importante d'interprétation** ; les questions régulièrement posées dans *e-wiki state aid* en constituent une démonstration flagrante.
       - Question de la **disponibilité des données** permettant d'établir les liens entre entreprises.
     - ⇨ **Supprimer le concept** d'entreprise unique. A tout le moins, une **réflexion générale visant à simplifier les critères** pour qu'une entreprise soit unique, autonome, partenaire, liée ou en difficulté devrait être réalisée.
  2. Le **concept d'entreprise en difficulté** :
     - Concept trop strict et qui représente un **frein non-négligeable au soutien des start-ups (priorité de la Commission), des scale-ups ou encore dans le secteur de la RDI**
     - Difficile à déterminer lorsque des entreprises ont des liens et sont situées dans des Etats-membres distincts
     - Question de la disponibilité des données afin de calculer si des entreprises sont en difficulté.
     - ⇨ **Discussion nécessaire à avoir sur certains critères alternatifs** pour évaluer le statut d'entreprise en difficulté
  3. Les **pôles d'innovation et la limitation du subventionnement des frais de fonctionnement à 10 ans** :
     - L'innovation joue un **rôle clé dans les nouvelles stratégies de l'Union en vue de renforcer sa compétitivité**. La limitation de l'art 27 GBER va engendrer des difficultés dans le chef de tous les Etats membres.
     - Ces innovations nécessitent des **adaptations très rapides pour l'ensemble de la société** ; il est contreproductif de stopper le financement de pôles qui fonctionnent bien mais qui ont besoin de se renouveler et de se réinventer quasi en permanence.
     - ⇨ **Supprimer cette limitation** si l'on souhaite que l'écosystème de l'innovation participe à l'effort de compétitivité.

****Courtesy translation*****

General remarks:

- The announced reform of the European State aid framework, based on the experience of the TCTF, is a matter of concern:
  - **Risk of distortion** of the Level Playing Field and the Internal Market;
  - **Budgetary constraints** of small Member States.
- BE asks for the following priorities to be respected:
  - A **return to the regular state aid framework**, with the main concerns being the restoration of a level playing field and the maintenance of the integrity of the internal market.
  - An **evidence-based analysis of the problems** and an assessment of the impact of different policy instruments and options before introducing major changes to the state aid framework;
  - EU-wide **cooperation** to address common challenges rather than unilateral action.
- In addition, we are calling for the **strengthening of DG COMP's teams**. This will make notification procedures lighter and faster, which will have a beneficial impact on SMEs.

Technical remarks:

- **It is difficult to prioritise 3 difficulties** encountered in European regulations on state aid. They **vary according to the nature of the actors granting State aid, the economic actors concerned, the sectors of activity, etc.**
- In addition, the complex use and interpretation of the concepts and definitions governing state aid has a direct impact on **the administrative burden and reporting exercises**. Simplifying and harmonising the rules, in particular those of the GBER, will bring more legal certainty while promoting positive spillovers.
- The **3 most recurring obstacles** are the following:
  1. **The concept of the single undertaking and the definition of the size of the undertaking**:
     - The **single undertaking concept** is applicable under de minimis regulations and constitutes a **totally disproportionate administrative burden** in face of small interventions, both for subsidising bodies and for beneficiary undertakings, in particular SMEs.
     - These two concepts create **legal uncertainty**:
       - **Significant amount of interpretation**; The questions regularly asked in *the State Aid e-wiki* are a clear demonstration of this.
       - The question of the **availability of data** to establish links between undertakings.
     - ⇨ **Abolish the concept** of a single undertaking. At the very least, a **general reflection aimed at simplifying the criteria** for an undertaking to be unique, autonomous, partner, linked or in difficulty should be carried out.
  2. The **concept of a undertaking in difficulty**:
     - This concept is too strict and represents a **significant obstacle for supporting start-ups (a priority for the Commission), scale-ups or the R&D&I sector**
     - Difficult to determine when undertakings have links and are located in separate Member States
     - Question of the availability of data in order to calculate whether undertakings are in difficulty.
     - ⇨ **Discussion necessary to have on certain alternative criteria** to assess the status of undertaking in difficulty
  3. Innovation **clusters and the limitation for subsiding operating costs to 10 years**:
     - Innovation plays a **key role in the EU's new strategies to strengthen its competitiveness**. The limitation of Article 27 GBER will create difficulties for all Member States.
     - These innovations require **very rapid adaptations for society as a whole**; it is counterproductive to stop funding clusters that work well but need to renew and reinvent themselves almost constantly.
     - ⇨ **Remove this limitation** if we want the innovation ecosystem to participate in the competitiveness effort.

2. COMMENTS FROM CYPRUS

Talking Points for WP on Competition
17 February 2025, EU Council, Brussels

The first point we would like to touch on, is the definition of **small and medium enterprises**. A large part of state aid is directed to small and medium-sized enterprises and therefore their detection is important and causes a significant burden on the competent authorities. In addition, it is important to establish legal certainty in the application of the definition and this depends on the establishment of clear and limited in number criteria. Among the problems we face, we emphasize the evaluation of linked and partner enterprises through natural persons or groups of natural persons acting jointly, as is the wording in the SME Recommendation. This can be a very complicated exercise for the granting authorities, since they need detailed information about the activities of natural persons involved , which is often not easily available and reliable. We therefore believe, that the Commission's Recommendation, which was written in 2003, should be revised based on the experience of the Commission and the Member States in its implementation.

The second issue we would like to refer upon, is the already existing proposal for the **introduction of mid cap enterprises** in the formulation of the state aid rules. We estimate that, currently there is quite a significant difference in the treatment of small and medium-sized enterprises to all the rest. Consider for example, the rules on Regional investment aid in C regions, where in practice large enterprises are excluded. We are not of the view that the rules should be relaxed for large enterprises in general, but we believe that it makes sense to distinguish, for example, large multinational groups with thousands of employees from small mid-cap companies that may also have problems with their financing. We therefore believe, that it would be appropriate to study the potential market failures observed in small mid cap companies and to adjust the rules accordingly.

3. COMMENTS FROM CZECHIA

Question 1:

Firstly, as we have expressed in the past, we are very concerned that **a further loosening of state aid rules** could trigger a subsidy race between the Member States. Such competition would not only lead to disruptions in the Single Market, but it could also endanger EU´s fiscal stability. Therefore, this issue could affect the whole internal market.

Secondly, we call **for the improvement or simplification of state aid rules to reduce administrative burdens** and increase efficiency. In our opinion, this issue also affects other EU countries when applying the current state aid rules.

One of the biggest problems is the complexity and lack of transparency of the rules set out in the GBER. In addition, in hindsight, the rules are also being questioned retrospectively by the ECA (European Court of Auditors) and EC auditors. Section 7 of the GBER (Aid for environmental protection) is the most problematic area of the entire GBER and modification/simplification of the terms is desirable. Calculations of hypothetical scenarios and financial gaps are difficult for applicants to understand and difficult to implement in practice. In the area of environmental protection, we would also welcome a loosening of the rules for the incentive effect, just as this is allowed in some other articles of GBER. We would welcome modifications in the GBER for aid for research and development and innovation.

Given that GBER is used across the EU, similar problems can be expected in other member states.

Finally, we believe that **the current reporting obligations are very complex** for all EU Member States.

Question 2:

First, we believe that what we need is **a coordinated and structural response at the EU level**, not a confrontation of fiscal capacities of the individual Member States. We believe that the European Commission should continue to constantly and closely monitoring economic developments in the EU and if necessary, to respond **swiftly**, **accordingly** and also **in close cooperation with Member States** in the event of any (new) crisis situation threatening to create a new serious disturbance of the economy.

Regarding the second issue, which we present above as a call **for the improvement or simplification of state aid rules**, we would, for example, welcome **an increase in the limit for reporting individual aid awards in the TAM module** to the level of the de minimis threshold (EUR 300 000).

This would certainly reduce the administrative burden without compromising transparency any further.

Finally, we would welcome **to limit the annual reports**. In any case, we believe that the European Commission should focus on making these obligations (and related rules) **clear and well defined**, as well as informing the Member States of these rules **in advance** (i.e., what information should be collected by the Member States and provided to the Commission). It has also been highlighted by the recent Special report 21/2024 of the European Court of Auditors (State aid in times of crisis - Swift reaction but shortcomings in the Commission's monitoring and inconsistencies in the framework to support the EU's industrial policy objectives) that the current state of reporting brings many issues (mainly differences in reporting among individual Member States which can result in inaccurate and inconsistent reporting), therefore what is needed for the reporting are clearer rules and more predictable framework set up by the European Commission.

As for the GBER, the conditions/rules can therefore be changed as part of revisions. Member countries can appeal to the EC to simplify the regulatory burden.

<u>Question 3:</u>

As indicated above, in our view, the outlined issues might affect other Member States and the whole internal market. Therefore, we believe that the outlined possible solutions can have positive impact on the EU as a whole, too.

By simplifying the conditions, the entire process would become more efficient. On the provider's side, the administrative burden would be reduced, project control would be simplified. More comprehensible rules would lead to a reduction in costs for applicants (it would not be necessary to consult the rules with experts from different sectors).

<u>Question 4:</u>

We support the **<u>further simplification and consolidation of GBER rules</u>**. In our view, there should be an ongoing focus on **clarity of existing rules** in GBER and the assessment of **their applicability in practice**. This should be done **in close cooperation with all Member States** and based on a **thorough problem analysis** and **impact assessments**.

4. COMMENTS FROM ESTONIA

Main points of interest in State aid field:

- We fully support the simplification of GBER as well as the harmonisation of state aid and structural fund rules;
- The definition of a single undertaking needs revision with particular regard to linked enterprises and the relationships through natural persons;
- We find that the Commission Notice on the notion of State aid, which serves as the primary tool for the identification of state aid, needs to be updated;
- We support the return to regular state aid framework. Specific elements which allowed for an effective and simplified implementation of temporary rules should be identified and considered when developing the new state aid framework.

5. COMMENTS FROM GREECE

Points of interest of Member States in the State aid field

We believe that stronger public support and funding opportunities should be provided to SMEs and start-ups. SMEs, as we all know, are the backbone of the European economy, but it is difficult for them to compete.

We propose to provide further top-ups to create appropriate incentives for the formation of ecosystems and value chains in the market. To this end, e.g. in

- -Article 25 GBER, more bonuses could be provided for cooperation between several undertakings or in
- -Article 14 GBER a new bonus for collaborations between undertakings located in assisted regions could be envisaged,
- -Article 21a of the GBER for tax incentives could also be included for corporate investors.

In addition, a best practice toolbox providing guidance horizontally for designing effective SME support measures could help MS.

Definitions

Greece supports that there is no need to change or adapt the existing definition of SMEs, as this could have an impact in most EU policy areas, given that the current definition is used in more than one hundred pieces of EU legislation, affecting in particular the financing of businesses.

As regards the definition of small mid-caps, we are positive, but it should not be linked to the existing SME definition or to any modification thereof.

6. COMMENTS FROM FINLAND

Regarding points of interest of Member States in the State aid field:

- The primary concern of Finland has been, and continues to be, the **increased possibilities in granting aid to production**. This has lately been possible, for example, through the TCTF section 2.8.

- We have advocated **the return to the normal State aid rules** and to keep the temporary frameworks, such as the TCTF, truly temporary.

- Therefore, we are deeply concerned even about the **possibility of investment aid to manufacturing and matching aid rules to become part of a the new CID State aid framework**, as they highly distort the competition and affect the level playing field in the Single Market.

- We also encourage making **proper impact analysis** prior to introducing new State aid rules, as well as to **explore other possible solutions**. Distortive forms of State aid should not be made a tool to enhance competitiveness.

- In our view, **several existing State aid rules**, such as the GBER, CEEAG, RDI framework and sector-specific legislation, **work well and they are still fit for purpose**.

7. COMMENTS FROM CROATIA

Croatia – Council of the European Union – 17 February 2025

Agenda item 5. – Points of interest of Member States in the Sate aid field

Croatian views are as follows:

In particular, we support simplification of General Block Exemption regulation (for example, which could be done through consolidating and clarifying the rules, such as merging certain parts of chapters I and III of GBER and to make the rules more clear especially regarding environmental aid, explanation of certain definitions which is sometimes uncertain etc.).

Furthermore, we agree to update the definition of SMEs in order to reflect the recent inflationary trends.

We believe that in certain instances funding gap could be replaced by other simpler aid calculation methods (e.g. for smaller aid amounts and undertakings, through administratively set aid intensities or similar).

We are in favour of the proposal that measures to support a clean industrial deal and digitalisation below a certain threshold could be assessed under a fast-track procedure by the European Commission (similar to RRF), which could in our opinion contribute to a faster and more efficient Commission decision-making process.

Regarding the evaluation of large aid schemes, we propose considering to raise the threshold concerned to EUR 200 million overall.

The introduction of new aid category "digitisation aid for SMEs" could support SMEs in their digital transition which is key to strengthening European competitiveness and achieving the EU's wider green and digital transformations. Digitization of SMEs has the potential to create social and economic benefits by increasing efficiency, reducing costs and improving service quality.

OVERALL CONCLUSIONS

Overall, we support proposals to reduce administrative complexity, increase efficiency and clarity for applying state aid rules, and foster collaboration, which in hand will ultimately benefit businesses, Member States, and the EU’s strategic goals.

However, standard procedures for State aid should not be circumvented, in particular for larger undertakings and bigger amounts of aid.

8. COMMENTS FROM HUNGARY

Working Party on Competition

17 February 2025

Hungarian position on points of interest of Member States in the State aid field

Hungary is thankful for the Polish Presidency for building upon the work of the Hungarian presidency in identifying key issues in state aid policy.

For Hungary, the highest priority in state aid policy is the simplification of state aid rules. In this context, Hungary has presented discussion papers and collected Member States' opinion during its presidency, focusing on possibilities for simplification. As a result of this work we believe that the following areas should be the priorities to be worked on in the near future:

1. **Simplification of the GBER:** Since the vast majority of state aid is granted under the General Block Exemption Regulation (GBER), ensuring its user-friendliness is a key priority for the upcoming revision.
    - Environmental aid rules are often cited as an area requiring greater thematic cohesion.
    - Additionally, the inconsistent use of terms and definitions (e.g. competitive bidding process, selection process, selection procedure) within the GBER adds unnecessary complexity.
    - The structure of the rules within the specific aid categories is not standardised, causing difficulties in application, which slows down the decision-making as well.
    - The large number of eWiki questions regarding certain articles, especially environmental ones, indicates difficulties in application, which creates legal uncertainties, slows down the aid granting process and discourages investment.
    - Hungary also proposes a less complex approach for smaller aid amounts and administratively determined aid intensities to replace complex funding gap calculations. A more straightforward GBER would facilitate compliance, reduce legal uncertainty, and minimise the risk of unlawful aid, ultimately decreasing the need for recovery procedures.
2. **Alignment between State Aid Rules and Structural Funds:** Beyond state aid policy, a key issue is the lack of consistency between state aid and structural funds rules. For example, the Common Provisions Regulation (CPR) promotes the use of Simplified Cost Options (SCOs), yet, in practice, they are rarely applicable to state aid measures. Expanding the use of SCOs within state aid rules could significantly reduce administrative burdens and streamline procedures.
3. **Dedicated GBER Article for SME Digitalisation**: Hungary believes that a simple, dedicated GBER article supporting the digital transition of SMEs could help address market failures in digitalisation.

Finally, in response to the Polish Presidency's question about well-functioning provisions, we would like to highlight the excellent cooperation between the Commission and Hungary during recent crises. The flexibility and swift decision-making were greatly appreciated, it has contributed to managing the negative economic effects of the Covid-19 pandemic and Russia's war in Ukraine.

9. COMMENTS FROM ITALY

OGGETTO: WORKING PARTY ON COMPETITION - 17 febbraio 2025. Spunti di intervento.

Con riferimento alla riunione del WP on Competition, del 17 febbraio 2025, per quanto di competenza, si effettuano osservazioni sui seguenti punti dell'Agenda (in allegato):

- ***Points of interest of Member States in the State aid field***

- **Points of interest of Member States in the State aid field**

Per quanto riguarda la materia degli Aiuti di Stato, si evidenziano i seguenti punti:

i. Eventuale revisione GBER

In relazione ad un'eventuale modifica del GBER si sottolineano le seguenti priorità:

a. necessità di aggiornare la definizione di PMI stante il loro ruolo fondamentale per affrontare le grandi sfide che attendono l'economia europea. Le modifiche dovrebbero riguardare le seguenti tematiche:

   - aggiornare i dati di fatturato delle imprese ai fini della definizione di MPMI, tenuto conto del contesto economico attuale e del tempo passato dall'ultima definizione (raccomandazione del 2003) su cui si basa l'attuale definizione in GBER/ABER;
   - definire, come per la nozione di impresa unica, che il perimetro di controllo deve essere effettuato avendo rilievo al perimetro nazionale o al massimo europeo;
   - semplificazione della definizione di cui all'art. 3 par. 3 delle lett. c) e d) dell'impresa collegata in quanto le Amministrazioni non hanno poteri di controllo concreti relativamente ai contratti con influenza dominante.

b. semplificazione del calcolo dei costi ammissibili, almeno per le PMI e per i casi in cui è difficile individuare il controfattuale. C'è la necessità di semplificare il metodo di calcolo con soglie per valore di aiuto già esistenti, superando l'applicazione del solo metodo cd. incrementale: si potrebbe concedere una percentuale di intensità di aiuto rispetto al solo differenziale - es. i costi supplementari da scenario controfattuale - tra investimento normale ed investimento ambientale/energetico migliorativo.

c. semplificazione della definizione di impresa in difficoltà prevedendo la possibilità di concedere aiuti a tutte le micro e piccole imprese, a condizione che non siano soggette a procedura concorsuale e che non abbiano ricevuto aiuti al salvataggio non rimborsati o aiuti alla ristrutturazione (ancora oggetto di un piano di ristrutturazione). Pertanto, andrebbe eliminata la verifica delle ulteriori condizioni attinenti all'ambito patrimoniale ed economico dell'impresa, in analogia con quanto previsto nei regolamenti "de minimis".

ii. Temporary Crisis and Transition Framework – Sez. 2.5 e 2.8

Alla luce della recente Survey lanciata dalla Commissione Europea sull'esperienza maturata dagli Stati Membri nell'attuazione del TCTF si ritiene che:

- intensità di aiuto: salvo alcune eccezioni in riferimento a particolari tecnologie, le Sezioni ancora in vigore del TCTF prevedono percentuali di intensità di aiuto, anche per le grandi imprese, non vantaggiose rispetto a quelle previste dal GBER.

- necessità di prevedere un orizzonte temporale per l'attuazione delle misure autorizzate più lungo rispetto a quello attuale al fine di renderlo congruo con l'entità degli investimenti richiesti;

iii. Revisione delle linee guida sugli aiuti di Stato nel contesto del sistema per lo scambio di quote di emissioni di gas a effetto serra post-2021 (ETS).

Il 22 gennaio 2025, la Commissione europea ha chiesto agli Stati membri informazioni utili per procedere all'aggiornamento delle linee guida sugli ETS che si applicano dal 1° gennaio 2021 fino al 31 dicembre 2030.

Le Autorità italiane accolgono con favore l'iniziativa della Commissione europea ed, al riguardo, si segnala quanto segue:

- Inserimento di alcuni settori produttivi esposti ad un elevato rischio di delocalizzazione tra quelli ammissibili.
  le linee guida sugli aiuti di Stato nel contesto del sistema per lo scambio di quote di emissioni di gas a effetto serra post-2021 (ETS) adottate a settembre 2020 prevedono l'ammissibilità agli aiuti di 10 settori e 20 sottosettori produttivi rispetto ai 13 settori e ai 7 sottosettori previsti dai precedenti orientamenti. La riduzione è dovuta all'applicazione dei criteri previsti nelle linee guida. Così facendo, tuttavia, alcuni settori produttivi, pur essendo esposti ad un elevato rischio di delocalizzazione non rientrano tra quelli ammissibili in quanto non ricadono nei parametri fissati dalla Commissione europea. A titolo esemplificativo si rappresenta che il settore della ceramica, pur essendo fortemente esposto alla concorrenza internazionale, non rientra tra i settori ammissibili;

- Valutazione del costo dell'energia elettrica basata sui singoli Paesi.
  Considerato che, in Italia, i prezzi dell'energia elettrica sono di gran lunga più elevati rispetto agli altri Paesi manifatturieri europei, si chiede di estendere la lista dei settori ammissibili di cui all'Allegato I alla Comunicazione della Commissione europea 2020/C317/04;

- Possibilità di concedere alle imprese una compensazione per costi indiretti anche in caso di assegnazione gratuita.
  Si ritiene che l’eventuale assegnazione gratuita concessa per le emissioni indirette dei processi elettrificati non dovrebbe precludere la possibilità per le imprese di ricevere una compensazione per i costi indiretti a norma dell’articolo 10 bis, paragrafo 6, della direttiva 2003/87/CE. La recente decisione di eliminare la scambiabilità del carburante e dell'elettricità nei parametri di riferimento del sistema di scambio delle quote di emissione dell'UE (ETS), infatti, si tradurrà in una minore assegnazione di quote gratuite per i settori fortemente dipendenti dall'elettricità. Al fine di evitare la sovracompensazione, si potrebbe prevedere, a livello UE, un meccanismo per esplicitare la parte di assegnazione gratuita delle quote di CO_2 relativa alle emissioni indirette.

****Courtesy translation****

SUBJECT: Italy's contribution to the discussion on the agenda items of the WP of February 17, 2025.

With reference to the meeting of the Working Party on Competition on February 17, 2025, we hereby share our inputs to the discussion on the following agenda items:

- ***Points of interest of Member States in the State aid field***

- **Points of interest of Member States in the State aid field**

i. Possible GBER Revision

Regarding a potential revision of the GBER, the following priorities should be highlighted:

a) <u>The need to update the definition of SMEs</u> given their crucial role in addressing the major challenges facing the European economy. The proposed changes should cover:
   - Updating companies' turnover data for SME classification, considering the current economic context and the time elapsed since the last definition (the 2003 recommendation on which the current GBER/ABER definition is based).
   - Defining, as with the concept of a single enterprise, that control assessments should be based on national or, at most, European-level considerations.
   - Simplifying the definition of linked enterprises under Article 3(3), letters (c) and (d), since public administrations do not have effective control over contracts with dominant influence.

b) <u>Simplification of the calculation of eligible costs</u>, particularly for SMEs and cases where establishing a counterfactual scenario is difficult. The cost calculation method should be simplified by applying existing aid intensity thresholds, overcoming the sole application of the so-called incremental method. A possible approach would be to allow a percentage-based aid intensity relative only to the differential—e.g., the additional costs from a counterfactual scenario—between a standard investment and an environmentally/energy-improved investment.

c) <u>Simplification of the definition of an "undertaking in difficulty"</u>, allowing aid to be granted to all micro and small enterprises, provided they are not subject to insolvency proceedings and have not received unpaid rescue aid or restructuring aid (still subject to a restructuring plan). Therefore, the additional conditions related to the company's financial and economic situation should be removed, in line with the provisions of the "de minimis" regulations.

ii. Temporary Crisis and Transition Framework – Sections 2.5 & 2.8

In light of the recent survey launched by the European Commission on the experience gained by Member States in implementing the Temporary Crisis and Transition Framework (TCTF), the following points are noted:

- Aid intensity: Except for certain exceptions related to specific technologies, the sections of the TCTF still in force provide aid intensity percentages—even for large enterprises—that are not more advantageous compared to those set by GBER.
- Need for a longer implementation timeframe: It is necessary to extend the current timeframe for implementing authorized measures to ensure alignment with the scale of required investments.

iii. Revision of the State aid Guidelines in the context of the EU Emissions Trading System (ETS) post-2021

On January 22, 2025, the European Commission requested relevant information from Member States to proceed with updating the State aid guidelines for the ETS, applicable from January 1, 2021, to December 31, 2030.

The Italian authorities welcome this initiative and highlight the following key points:

- Inclusion of certain production sectors exposed to a high risk of relocation among eligible sectors

The 2020 ETS State aid guidelines increased the number of eligible sectors to 10 sectors and 20 subsectors, compared to the 13 sectors and 7 subsectors listed in the previous guidelines. However, due to the application of the new eligibility criteria, some industrial sectors that face a high risk of relocation are no longer eligible. For example, the ceramics sector, despite being highly exposed to international competition, is not included in the list of eligible sectors.

- Electricity cost assessment based on individual countries

Given that electricity prices in Italy are significantly higher than in other European manufacturing countries, Italy proposes extending the list of eligible sectors outlined in Annex I of the European Commission Communication 2020/C 317/04.

- Possibility of granting compensation for indirect costs even in the case of free allocation

The free allocation of allowances for indirect emissions from electrified processes should not prevent companies from receiving compensation for indirect costs under Article 10b(6) of Directive 2003/87/EC.

The recent decision to eliminate the interchangeability between fuel and electricity in the EU ETS benchmark parameters will lead to a lower free allocation of allowances for sectors that rely heavily on electricity.

To avoid overcompensation, the EU could establish a mechanism to explicitly account for the portion of free CO_2 allowances related to indirect emissions.

10. COMMENTS FROM LITHUANIA

Please find below main statement that was delivered during the last WP Competition meeting from the Lithuanian side regarding *de minimis* rule revision.

De minimis ceilings should be **500 thousand EUR** (instead 300 thousand) while considering inflation and other factors. Accordingly, **the 200 thousand top-up should be specifically dedicated to incentivize twin transition** (green and digital) in SME's sector.
We see a clear link between EU policy incentives (green and digital) and a simplistic approach when it comes to implementing current EU policies designed to competitiveness. SMEs employ almost two-thirds of the EU's workforce and generate just over half of the added value. A further revision of the state aid rules, in particular the *de minimis* rule, would be a very important and effective simplification effort that cannot be achieved only by easing the IPCEI conditions alone.

11. COMMENTS FROM LATVIA

Question 1:

1. *de minimis* and GBER aid intensity and threshold increase

It is necessary to review the state aid threshold and intensity measures:

- We highly appreciate de minimis aid ceiling increase to 300 000 euro, but we would suggest **increasing the *de minimis* threshold to 500 000 euro.** It would be essential to enhance business competitiveness, innovation, and economic growth. Inflation and rising costs have eroded the real value of financial support, making the current threshold insufficient.
- According to the GBER (Regulation No. 651/2014) regulation, the State aid intensity of Articles 14 can be from 30% (for large companies) to 70% (small companies in regions). Additionally, for personnel training, GBER Article 31, the State aid intensity can be from 50% (for large companies) to 70% (for small companies). And In accordance with de minimis (Regulation 2023/2831) State aid, the maximum threshold for a single company in a three-year period is 300 000 euro. Therefore, the existing State aid conditions do not create sufficient incentives to encourage the production and stockpiling of strategically important goods and dual-use product and technology development.
- **Maximum support availability needs to be reviewed the NUTS classification conditions**, taking into account that the most of Member States are already NUTS2, but we are still faced with insufficient state aid incentives for growth.

In accordance with point 158 of the Commission Communication on Regional State Aid Guidelines (2021/C 153/01) (hereinafter - Guidelines), the Commission considers that the conditions of Article 107(3)(a) of the Treaty are fulfilled in NUTS level 2 regions whose gross domestic product (hereinafter - GDP) per capita is 75% of the EU27 average or less. Accordingly, in accordance with point 159 of the Guidelines, Member States may designate the following areas as 'a' areas:

1) NUTS level 2 regions whose GDP per capita, expressed in purchasing power parity units, is 75% of the EU27 average or less (based on the average of the last three years for which Eurostat data are available);

2) outermost regions.

In the case of Latvia, the aid intensity for large enterprises in area "a" may not exceed 30% in NUTS level 2 regions whose GDP per capita exceeds 65% of the EU27 average.

If this NUTS2 classification were to be revised, e.g. the GDP per capita indicator - Latvia would have the opportunity to qualify for a higher regional state aid intensity.

- **In order to promote the development of innovation digitalization and the introduction of new technologies, it is necessary to remove restrictions on the sectors and**

restrictions in the GBER (for example, to remove the restriction in Article 1(2)(c) of the GBER, which states that measures cannot be supported which are aid linked to the quantities exported, the establishment and operation of a distribution network or other current expenditure linked to exports). We see that there is no need to restrict sectors in case of GBER regional state aid, for example, to exclude transport sector or ports if there are digitalization or innovation projects.

In our opinion, not only Latvia faces mentioned problems/priorities but also the broader EU countries, especially the small EU member states and the countries of the Eastern block of the EU, which faces an equivalent problematics.

2. At the same time, it is important to reconsider state aid rules for digitalization and innovation, accelerating the availability of support and assessing the easing of the conditions for applying state aid (for example, by establishing exceptions to the application of state aid for project management).

<u>3. It is necessary to review the possibility for strengthening military defense</u> and promoting investments that contribute to the EU's military defense and national security in the long term in the case of development of dual use products and technologies, especially by strengthening the EU's external borders. When thinking about the military defense industry, it is essential to start discussions about the need for more aid for the development of dual use products and technologies. Appropriate incentives for building the capacity of the security industry should be considered (there is no aid aimed at the creation of reserves, etc.).

LV would like to turn attention of both the European Commission and the Member States to the proposal, submitted by the Ministry of Defence of LV to the Commission already in December 2024, for simplified application of legal conditions as laid in the Article 25.e of Commission Regulation (EU) No 651/2014 (the Regulation) for the state aid involved in the co-funding of EDF projects.

The Commission was requested to address the excessive requirement to prove an incentive effect for EDF projects in duplicative manner – both at the EU and at the national level. In order to avoid unnecessary bureaucracy and restrictions for application of state aid in the frame of the Regulation. LV MoD has stressed that for SMEs it is enormous effort required to compete over engagement in EDF project, to bid for national co-funding and for the Commission’s support. The Commission was called to look into all possible ways to make it easier for industry to cooperate and create sustainable European partnerships.

LV appreciates assurance provided in response letter from January 2025 by the DG Competition to take LV MoD’s proposal into consideration in future revisions of the Regulation.

In addition, we suggest further simplification of state aid regulation to minimise bureaucratic burden, allowing co-financing provided by the Ministries of Defence and other state institutions of the Member States for EDF projects to be automatically recognised as compatible with the internal market within the meaning of Article 107(3) of the Treaty on the Functioning of the European Union (Treaty), exempting it from the notification requirement laid down in Article 108(3) of the Treaty.

As the entities participating in EDF are screened by the Commission already before endorsement of each new EDF project, LV MoD view it unnecessary to exercise screening of these projects and entities concerned at national level within the current meaning of the Regulation.

We should take into account that each year relatively limited number of EDF new projects with relatively limited national co-financing requirement are selected with general objective to foster the competitiveness, efficiency and innovation capacity of the European defence technological and industrial base (EDTIB) throughout the Union.

We would appreciate more concrete indication from the Commission, when and how the work on envisaged revision of the Regulation will be organised.

4. There is a need to review and simplify the general State aid rules to reduce the administrative burden on Member States and beneficiaries,

Question 2:

Member States' Role:

- Advocate for a higher de minimis threshold (500 000 euro) at the EU level, emphasizing its necessity to counter inflation, rising costs, and enhance business competitiveness.
- Strengthen cooperation between governments and industry stakeholders to identify priority sectors that require increased funding.

European Commission's Role:

- Review and amend State aid regulations to increase aid intensity for strategic goods, ensuring adequate funding for research, development, digitalization, innovation and production.
- Adapt GBER and de minimis rules to better reflect the evolving economic and security landscape, particularly in the face of geopolitical challenges.
- Review and amend State aid regulations in a timely manner to enable the possibility for Member States to properly participate in the legislative process.
- Consider a differentiated approach for smaller and strategically positioned Member States, allowing them to provide more targeted financial support.

Question 3:

The proposed increase in the de minimis threshold to 500 000 euro higher State aid (GBER) intensity for strategic goods and dual-use technologies would have a far-reaching impact on other EU Member States and the internal market by enhancing economic resilience, competitiveness, and innovation. Many small and mid-sized EU economies face similar inflationary pressures and rising production costs, reducing the effectiveness of existing financial support mechanisms. A higher *aid intensities and relaxed conditions,* and higher de minimis *threshold* would enable these countries to provide more substantial financial aid, strengthening their competitiveness and innovation capacity. Increased State aid support for strategic industries would facilitate investment in research, development, and production, bolstering Europe's industrial and technological base. These measures would enhance market integration, ensuring businesses across Member States compete on a level playing field, particularly in sectors like defense, security, and advanced manufacturing. More flexible financial support mechanisms would also attract private investment, foster cross-border collaboration, and improve supply chain resilience.

Question 4:

- The IPCEI framework has proven effective in fostering large-scale, cross-border industrial and technological cooperation, particularly in key sectors like clean energy, digitalization, and manufacturing. It provides valuable financial support and helps address market failures.
- The collaboration between public and private sectors in areas such as research, development, and innovation has facilitated the scaling of projects. PPPs should continue to be encouraged to drive economic growth and sustainability.

12. COMMENTS FROM MALTA

Question 1:

State aid, in particular regional aid, must be viewed as an instrument not only for promoting the development of less prosperous regions, but also as a means of neutralising systemic regional handicaps of certain regions, including island Member States.

In Malta's case, its perceived regional handicaps of remoteness and small size result in higher transport costs due to its island status located far from the geographic and economic core of the EU. Islands are in a particular difficult situation therefore it is deemed of extreme importance that Member States are given the necessary tools and flexibility to be able to address these regional disparities.

Another topic which is important for Malta, is that of ensuring that the current State aid rules are fit for new challenges. This is fundamental for safeguarding that the intra-European level playing field is not undermined, and it can be achieved by ensuring fair and open competition within the individual Member States.

Question 2:

It is believed that the Commission should adopt more flexible State aid rules to cater for realities and disadvantages faced by island Member States, in particular in thematic strategic areas where the challenges of peripheral islands are most evident, such as transport, digital connectivity, energy networks, and management of natural resources.

Undertakings based on island Member States are not being placed on a level playing field with undertakings based on mainland Europe, since the additional transport costs incurred in the transportation of raw material and products from and to mainland Europe, will always place such operators on a competitive disadvantaged economic position. Malta therefore urges the Commission to consider the inclusion of a type of aid allowable exclusively for cabotage costs incurred by undertakings based on island Member States.

Furthermore, State aid procedures need to be made simpler, faster and more predictable, and allow for targeted support to strategic sectors to be deployed speedily.

Question 3:

The objective of State aid rules is to ensure that public funding does not unduly distort competition in the Internal Market.

It is believed that the State aid rules should be further simplified and made easily accessible by, *inter alia*, making rules more flexible, increasing aid amounts and adjusting the applicable aid intensities. By further simplifying the rules, State aid measures can become more accessible and effective, helping to support competitiveness in the EU and in global markets.

The above-mentioned solutions would not negatively affect other Member States and the Internal Market but would ensure a level playing field across the Internal Market.

Question 4:

The temporary State aid rules adopted during the COVID-19 crisis and the Russia-Ukraine war, have supported and facilitated investments whilst limiting distortive effects of State subsidies.

State aid rules should continue to be assessed and reviewed further to fully reflect the ongoing effects of the crises on the EU, recent EU policy developments and Commission priorities for the future. This would ensure faster implementation of measures to be able to support businesses in a timely and effective manner.

13. COMMENTS FROM THE NETHERLANDS

For an exchange of views in the Working Party on Competition of the 24th of February 2025, the Polish presidency proposed different agenda points regarding State aid to the EU Member States. The Dutch ministry of Economic Affairs prepared the following points for the Dutch participation in the discussion. Following the Polish presidency's request, this input is provided in writing along with this paper. These comments are preliminary and do not preclude a more elaborate and final position on State aid rules by the Netherlands.

Points of interest of Member States in the State aid field

- The Dutch authorities welcome the Polish presidency's initiative to hold a debate on the points of interest of Member States concerning the State aid rules.
- The Dutch authorities recognize that the EU faces challenges in terms of its competitiveness. However, this does not mean that a complete overhaul of competition rules is necessary. It is important that competitiveness is enhanced by using the whole range of EU policy instruments and not by relying too much on the State aid instrument. As part of an attractive business climate, we should ensure a level playing field and work to further strengthen the internal market, for example, by a stronger harmonization of grid tariff methodologies.
- As regards the State aid instrument, as part of the toolbox, is concerned, we believe it is important that the State aid rules are fit for purpose. An evidence-based approach and a long-term EU strategy are key in this respect. The starting point for new or revised State aid rules should be a proper problem analysis and public consultation.
- Nevertheless, in response to the questions, the Dutch authorities would like to highlight four points with regard to EU competitiveness:
    - First, the Dutch authorities see added value in the revision of the State aid rules for renewable energy and decarbonization in the context of the Clean Industrial Deal. Preferably, the CEEAG should be thoroughly revised in this context, for example with more possibilities for ad hoc aid to enable targeted decarbonization deals; and industrial electrification, while ensuring strict safeguards for the integrity of the internal market. In a broader sense, the NL also considers the phasing out of fossil subsidies important.
    - Second, the Dutch authorities are more cautious about more market-distorting forms of State aid, such as production aid and the possibility of matching subsidies from third countries.
        - Production aid is generally a highly market-distorting form of State aid that should be treated with caution and restraint. However, in the light of the geopolitical developments open strategic autonomy may require support for certain activities. In this context, this type of aid may have positive effects under the right conditions.
        - It is important to set clear conditions to ensure that State aid is really necessary in the context of open strategic autonomy and not for other purposes and the positive effects outweigh the negative effects.

        - The focus should be on the most advanced or cutting edge technology on the market.

- Third, in the context of EU competitiveness, it is important that the State aid rules provide sufficient opportunities for risk finance and blending finance to leverage private funding, for example in clean tech manufacturing.

- Fourth, the definition of ‘undertaking in difficulty’ is complex and not fit for purpose, especially when applying the GBER. A revision of this definition as previously announced by the European Commission is welcomed and, in the light of strategic autonomy, urgently needed.

- With regard to other sectors, the Dutch authorities would like to highlight that sufficient State aid possibilities for affordable housing (SGEI) and health care (GBER) are important.

- Finally, the Dutch authorities would like to express their concern for the increasing administrative burden with regard to State aid reporting, compliance checks and registers (most recently: de minimis register) and ask the European Commission to ensure proportionality with regard to these type of obligations.

14. COMMENTS FROM <u>PORTUGAL</u>

In general terms we favour the simplification of State rules, but additional flexibility can only be accepted on the basis of an evidence-based approach.

We support the simplification of the GBER, namely the extension of the use of simplified cost options, and streamlining the granting of small aid amounts and of the funding gap approach by way of fixed aid intensities.

Concerning the inclusion of a specific category on digitalization it must be correctly evaluated if current provisions are sufficient in order to avoid distortions of competition.

The aid categories in GBER that include specific provisions for midcaps should be expanded, since midcaps and small midcaps share identical problems to SME's and are often drivers of exporting activities, innovation and leaders of economic activities linked to the green and digital transitions.

The reporting obligations are very burdensome, should be streamlined.

The "fast-track" approval of measures linked to the green and digital transition should be implemented.

Affordable housing is a priority for us, and we look forward to specific state aid solutions in this respect. At this stage, we have supported the Netherlands initiative to include a specific definition of "affordable housing" on the SGEI Decision.

15. COMMENTS FROM SLOVENIA

Short talking points:

1. **Regarding definition of SMEs**:

- Slovenia believes that the current definition of SME needs to be adjusted, due to the significant increase in inflation over the last 10 years.
- Annex 1 of the GBER regulates the formal conditions that must be met when assessing the size of the company. However, case law has clearly established that, when assessing the size of companies, it is necessary to consider not only compliance with the formal condition set out in Annex 1 of the GBER, but also actual market position of the individual company. The question is how many of the so-called other forms of connections are sufficient to conclude that there is a connection between the companies? This leads to legal uncertainties that needs to be resolved.
- Thus, we believe it is essential to appropriately amend the existing definition of SMEs (or the criteria for determining SME status) in a way that adequately incorporates case law. This would help prevent potential further inconsistencies in SME classification.

2. **Regarding the category of small mid-caps:**

- Slovenia supports the introduction of new category of small mid-caps at the EU level.
- This would allow the EU to better support companies that, on the one hand, are outside the threshold of the SME definition, but on the other hand, they cannot be compared with large companies and corporations. In addition, they face many challenges that are similar to those of SMEs and hinder their competitiveness.
- Furthermore, we believe that it is necessary that the definition of a small mid-cap is unified in all documents/legal bases.

3. **Regarding aid for environmental protection:**

- We believe that the conditions for aid for environmental protection in GBER are too complex and burdensome for companies as well as public administration dealing with public calls.
- Complex rules, for example relating to standards and counterfactual scenarios, also create legal uncertainty for companies and it discourages them from important investments. This may result in the risk that financing is only provided to a group of beneficiaries who know how to apply for funding or can afford to hire consultants.
- For example, calculating counterfactual scenarios is too burdensome for many companies, especially SMEs. We propose that the total cost of the investment be taken into account as eligible costs.
- Some useful simplifications was already established in the framework of TCTF, for example in the point 2.8 of TCTF.

4. Regarding state aid for STEP projects:

- We propose the creation of a special article in GBER for STEP projects, as they are content-specific and it would speed up their successful implementation if member states could use an article dedicated to this when allocating aid under the GBER. Namely, the current articles do not correspond to the STEP measures to a certain extent (e.g., for investments in production within the framework of STEP for large companies, the content of the requirements for regional state aid or for aid for investments in SMEs is not entirely adequate).
- Besides there are potential problems when co-financing projects with the Sovereignty Seal because on the national level projects have to be adapted to the state aid rules. Special article in GBER for projects with the Sovereignty Seal could greatly contribute to smooth approval of co-financing on the national level. The article should be similar in substance to the current Article 25a in the GBER, with a corresponding adaptation to projects with a Sovereignty Seal.
- In addition, we would suggest considering the establishment of a temporary framework for state aid for STEP projects or regulation of this area in Clean Industrial Deal. Within GBER we cannot adequately support STEP projects in terms of content, even for relatively low amounts of state aid (below the GBER thresholds). When we talk about setting up new production lines within the framework of STEP, we must and want to support highly ambitious projects of both SMEs and large companies in areas/regions where there is already a high concentration of knowledge and competence. In terms of content, this does not necessarily coincide with the purpose of regional state aid, nor can it be placed within the scope of SME aid.

Predlogi:

1. Definition of SME as used in the State aid rules

SI believes that current definition of SME is still largely relevant, but due to the significant increase in inflation over the last 10 years, it makes sense to adjust some parts of the definitions in order to alleviate the inflationary pressure for this category of companies.

The update of the definition should take into account case law (e.g. C 110/13 HaTeFo v Finanzamt Haldensleben) where, for example, an enterprise formally qualifies as an SME, but not, taking into account the actual situation of the enterprise and its "soft" links with other enterprises.

Annex 1 of the GBER regulates the formal conditions that must be met when assessing the size of the company. Meanwhile case law has clearly established that, when assessing the size of companies, it is necessary to consider not only compliance with the formal condition set out in Annex 1 of the GBER, but also actual market position of the individual company. In this assessment of the actual market position (as required by case law) it is necessary to take into account other forms of connections between companies, which, however, differ from case to case.

Furthermore, the question is how many of the so-called other forms of connections are sufficient to conclude that there is a connection between the companies? For example, merely the fact that the companies are located on the same address cannot be enough to conclude that there is a connection between companies, but probably there must be other forms of connections as well.

The fact is that legislation (which defines the so-called formal criteria for determining SMEs) and case law are not fully aligned. This became particularly evident in one Slovenian case where the European Court of Auditors took the position that, following case law, the size of the company was not properly determined, as only the formal conditions from Annex 1 of the GBER were taken into account. That has triggered the tendency to formalize case law, otherwise there will be different practice among grantors. Moreover, there may continue to be cases where the size of a company (its classification as an SME) is determined differently based on formal criteria (outlined in legal acts) than in subsequent audits. These audits, relying on the actual market position, may reach different conclusions from those based on the assessment of formal conditions (as was the case in the aforementioned Slovenian case).

Given the above, we believe it is essential to appropriately amend the existing definition of SMEs (or the criteria for determining SME status) in a way that adequately incorporates case law. This would help prevent potential further inconsistencies in SME classification.

2. Category of small mid-caps

Slovenia supports the introduction of new category of small mid-caps at the EU level, as it makes sense in the EU to better support companies that, on the one hand, are outside the threshold of the SME definition, but on the other hand, they cannot be compared with large companies and corporations. In addition, they face many challenges that are similar to those of SMEs and hinder their competitiveness. In this context, we appreciate the work of the Commission, which has been monitoring this category of companies for several years.

We believe that it is necessary that the definition of a small mid-cap is unified in all documents/legal bases. We want this definition to be introduced in the legal bases governing the field of state aid – as a special category next to SMEs and large enterprises. In the case of the GBER, this would entail the introduction of a new enterprise size category in Annex 1 to the GBER, as well as the introduction of an adjusted aid intensity for each type of aid for this category of undertakings – the possibility of increasing the aid share for aid recipients that are small mid-caps. This would be without prejudice to the articles in the GBER that are intended to help SMEs.

3. Aid for environmental protection

Especially in the field of the environment, we note that the conditions in GBER are very complex and in certain cases we do not even get clear explanations from the EC about the content of these conditions. With aid in the field of the environment, we welcome the new possibilities of granting aid, but unfortunately we note that, despite the need for investments in this area, companies are very reluctant to apply for aid, as the conditions are extremely complex and in some cases even the grantors of aid do not know them unequivocally interpret, which creates legal uncertainty for companies and it discourages them from important investments. There are complex and long-lasting administrative processes which, may result in the risk that financing is only provided to a group of beneficiaries who know how to apply for funding or can afford to hire consultants.

The eligible costs are often tied to extra investment costs necessary to achieve for example the higher level of energy efficiency (GBER, Articles 36, 38, 47). They are determined by comparing the costs of the investment to those of the counterfactual scenario that would occur in the absence of the aid. Calculating counterfactual scenarios is too burdensome for many companies, especially SMEs. We propose that the total cost of the investment be taken into account as eligible costs, whereby the co-financing rates are determined in advance according to the size of the company and according to the location of the investment.

There are also unclear provisions regarding European Union standards - those already in force and those that are yet to enter into force (GBER, Articles 36, 38, 38a). Both aid grantors and companies do not have complete information on which standards need to be complied with and where to find information about them, especially in the case of standards that have not yet entered into force. We suggest that these provisions be carefully reviewed, written down more clearly so that no different interpretations of these provisions are possible, and that it unambiguously sets out which standards are to be followed and in what way.

We have similar suggestions in relation to the provisions of the TCTF, point 2.6., where Article 81, paragraph l), deals with standards, and Article 81, paragraph n), deals with counterfactual scenarios and claw-back mechanism.

With regard to point 2.6 of the TCTF in Article 81, paragraph d), we consider that the requirements set for the reduction of direct greenhouse gas emissions and reductions of energy consumption in industrial installation are too high. Many companies have already implemented measures to make greater reductions in emissions and reduce energy consumption to a greater extent at an affordable cost. Each subsequent step is costly, brings reductions to a lesser extent and is therefore risky for companies. It is precisely such projects that we would like to support in order to reduce the risk for businesses and, in this sense, we are proposing to reduce both requirements by at least 10 percentage points.

We find point 2.8 of the TCTF useful, sufficiently clear and simple, and we would like to see it extended or included in the Clean Industrial Deal.

However, in the case of all the aid mentioned above, we emphasize that the individual framework or other legal basis for State aid must cover a sufficiently long period of time, for example at least 5 years, for Member States to be able to prepare the appropriate legal bases for the use of this aid, prepare the measures and implement them.

4. State aid for STEP projects

Slovenia welcomes the STEP Regulation and sees the implementation of STEP projects also at the level of the member states as a great contribution to the EU, which is why we especially want aid allocation to run smoothly and adapted to the specific nature of STEP measures.

We propose the creation of a special article in GBER for STEP projects, as they are content-specific and it would speed up their successful implementation if member states could use an article dedicated to this when allocating aid under the GBER. Namely, the current articles do not correspond to the STEP measures to a certain extent (e.g., for investments in production within the framework of STEP for large companies, the content of the requirements for regional state aid or for aid for investments in SMEs is not entirely adequate).

The article in the GBER would only apply to State aid for projects that fulfil the conditions of the STEP Regulation (Article 2, Paragraph 1).

Eligible cost categories should be:

- Feasibility studies
- Costs of instruments and equipment
- Costs of the acquisition (or construction) of buildings, infrastructure and land
- Costs of other materials, supplies and similar products necessary for the project
- Costs for obtaining, validating and defending patents and other intangible assets
- Personnel and administrative costs (including overheads)

Aid intensities should be set somewhere between aid intensities for R&D projects and regional aid intensities. The same goes for the notification thresholds.

Besides there are potential problems when co-financing projects with the Sovereignty Seal because on the national level projects have to be adapted to the state aid rules. Special article in GBER for projects with the Sovereignty Seal could greatly contribute to smooth approval of cofinancing on the national level. The article should be similar in substance to the current Article 25a in the GBER, with a corresponding adaptation to projects with a Sovereignty Seal.

In addition, we would suggest considering the establishment of a temporary framework for state aid for STEP projects or regulation of this area in Clean Industrial Deal, especially with the above-mentioned arguments - within GBER we cannot adequately support STEP projects in terms of content, even for relatively low amounts of state aid (below the GBER thresholds). When we talk about setting up new production lines within the framework of STEP, we must and want to support highly ambitious projects of both SMEs and large companies in areas/regions where there is already a high concentration of knowledge and competence. In terms of content, this does not necessarily coincide with the purpose of regional state aid, nor can it be placed within the scope of SME aid.

The new temporary framework or special section in Clean Industrial Deal should cover all STEP sectors (digital technologies, deep tech innovations, clean technologies, biotechnologies). We propose a similar arrangement as in point 2.8 of the TCTF, except in this case for STEP content and with an expanded set of types of eligible costs (as written above), adapted to STEP content.

However, in the case of the aid mentioned above, we emphasize that the individual framework or other legal basis for State aid must cover a sufficiently long period of time, for example at least 5 years, for Member States to be able to prepare the appropriate legal bases for the use of this aid, prepare the measures and implement them.