



NOTAT

8. december 2020

Danish response to Commission's roadmap on the revision of the Communication on important projects of common European Interest

The Danish Government appreciates the opportunity to comment on the European Commission's roadmap on revision of Communication on important projects of common European Interest (IPCEI).

The Danish Government strongly welcomes the intention of the Commission to limit the scope of the revision to the three main adjustments foreseen in the roadmap on 1) providing further guidance on criteria in the communication, including the Green Deal, 2) facilitating the involvement for SME's and 3) ensuring that the process is genuinely transparent and inclusive.

In general, we see a benefit in reviewing and updating the state aid guidelines, in order to take into account the above-mentioned three priorities in order to support the Union's objectives, especially including the green and digital transition. The Danish Government finds that the current communication on IPCEI (2014/C 188/02) has contributed in a positive way to provide helpful guidelines for Member States when preparing schemes for an approval process that is as smooth and quick as possible, while ensuring a strict use and application of IPCEI. The upcoming revision should not lead to a general relaxation of the rules or an undermining of the Commissions objective assessment of notified projects.

Indicatives in the roadmap

Further guidance – contributing to the green transition

We believe that the Communication on IPCEI can play a role in relation to fulfil and meet EU's energy and climate targets. Therefore, a key priority should be to maintain its supporting role, also in the context of the European Green Deal and the objective to decarbonize the EU energy systems as a mean to combat climate change and to promote a more sustainable economy and society as a whole. We therefore support further guidance and clarification on the application of the criteria for environmental, energy and transport projects.

In general, we believe that IPCEI should be allowed to pursue other objectives beyond climate and environmental objectives. However, IPCEI related to *industrial projects* (including but not limited to those supporting strategic value chains) should to a greater extent be oriented towards contributing to one of the EU's climate objectives. The 2014 communication already states that projects must contribute in a concrete, clear and identifiable manner to one or more EU objectives. We suggest attaching higher significance to this criterion for projects to contribute to a climate neutral economy in the EU by 2050 at the latest, in the Commission's assessment of IPCEI related to industrial projects, by giving it precedence over other EU objectives, i.e. exalting the criterion. In addition, the focus of IPCEI related to industrial projects should continue to be on enabling research, development and breakthrough innovation.

We would refer to the Danish Government's response of 20th of November on how the competition policy can support the Green Deal.

Finally, we welcome the intention of referring to the Digital Strategy. The revision should enable the development of state-of-the-art digital technologies through the use of IPCEI. However, always in the case of a market failure and projects going beyond the aim of catching up with the technological developments globally.

Involvement of SMEs

We are very supportive of the aim of the Commission to enhance the participation of SMEs in IPCEI. We find it essential to ensure a transparent and inclusive process when establishing IPCEI related to industrial projects that allows for stakeholders and companies of all sizes to participate and contribute in order to ensure the best possible projects.

As noted in the roadmap, SMEs generally receive smaller amounts of aid given their smaller size. This aid is therefore in general less likely to distort competition. SMEs make up around 99 pct. of all European businesses.

Overall, we find that the issues related to the involvement of SMEs are twofold. Firstly, experience from previous IPCEI seem to indicate a lack of incentive for both Member States and large companies to involve SMEs in the first place. In this regard, we are supportive of encouraging large businesses to involve SMEs in their projects, including from other Member States, through better incentives. Such incentives could take the form of specific benefits in case SMEs are involved or the involvement of SMEs could be listed more explicit as a positive indicator than is currently the case cf. Article 20 (e). In addition, higher aid intensity could be allowed for SMEs than for larger businesses in order to increase the incentive for SMEs to participate.

Secondly, SMEs do not have the same administrative capacity compared to larger companies to go through a long application process required in order to receive the aid under the IPCEI Communication. Thus, we are open towards introducing an explicit principle of proportionality in the notifications process, making it less burdensome for SMEs to apply for the aid through an IPCEI.

Transparency and inclusiveness

It is the Danish opinion that IPCEI related to industrial projects granted state aid should be open for participation of interested undertakings from all EU Member states. Currently there is no clear procedure for how Member States can coordinate and cooperate on IPCEI in advance of the state aid assessment.

The work of Industrial Alliances is a step in the right direction in terms of improving transparency and inclusiveness in the early stages of establishing an IPCEI for industrial development. However, we believe that more can be done in order to safeguard that all Member States are given an opportunity to participate.

Building on the already existing positive indications of making it possible for all interested Member States to participate (article 20 (a)) and on the recommendation of the Strategic Forum for IPCEI to increase the transparency and inclusiveness of IPCEI, we suggest a formalised process where all Member States are provided with project descriptions well in advance before a formal state aid (pre-)notification is sent to the Commission, if no prior consultation or invitation for possible participation have been provided earlier to all Member States.

Preserve fundamental market-based principal

When large cross border projects with clear common European added value – not including infrastructural projects – entail such big risks that private investors are not willing to take them alone or considered unprofitable it is important that the states involved have the opportunity to grant state aid. However, such state aid should stimulate additional private investments and not distort competition in a disproportional way.

This is especially pronounced when dealing with big projects and potentially large amounts of state aid there is a potential for substantial distortion of the competition in the internal market. Therefore, the Danish Government finds it important, that state aid for IPCEI in particular is assessed thoroughly by the Commission in a manner where the balance test is carried out on a solid and well-informed foundation of information. If the Commission has to compromise on the thoroughness and quality of the assessment it may should consider opening the formal investigation procedure

prior to state aid approval in order to avoid this formality being challenged in court thereby making the process slower.

In addition, the Commission should continue to apply the market-based principles in the communication, meaning that IPCEI can only be used to overcome market or systemic failures or to address societal challenges that cannot otherwise be addressed. Moving forward, we must maintain this rationale, which should continue to be the guiding principle when assessing the eligibility of aid under the IPCEI Communication. Member States and the Commission have a joint responsibility to ensure that IPCEI do not undermine effective markets. They should also not spur protectionism that might reduce European businesses' access to global value chains. In addition, they should not only benefit the participating undertakings, but also contribute to the EU's overarching objectives, including through positive spill-overs to other Member States or sectors.

Finally, it is important that the category of activities eligible to receive state aid under the IPCEI Communication is not expanded beyond first industrial deployment. Hence, eligible activities and projects should continue to be limited to research, development, upscaling of pilot facilities or to the first-in-kind deployment.

Monitor and evaluate the outcome

The Commission should continue to assess and monitor the ex-post changes in the behaviour of the participating undertakings as well as general market changes resulting from the provided state aid, including market foreclosure and dominance or risk of initiation of a subsidy race between Member States.

In line with the communication from 2014, projects should continue to be subject to regular monitoring. Results of IPCEI should - to the largest possible extent - be made publicly available to build upon and learn from in order to support further innovation and strengthening the EU's global competitiveness.

When reviewing the rules, and especially related to industrial projects, we must remember that there at this point in time relatively little experience in terms of the effect of IPCEI on supporting industrial development and competitiveness. Therefore, we would encourage the Commission to present an overall evaluation of the use of the IPCEI to industrial projects in 2025 at the latest. This should include the effect on EU's global competitiveness, description of participants (e.g. large vs. small countries and companies alike) and (potential) distortionary effects both within the Single Market and externally.