



# EU rules on State aid for IPCEIs

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## Check other sources of funding !

Several other possibilities exist besides designing an IPCEI under State aid rules:

- EIB/EIF funding [no State aid clearance required]
- EU central funding (e.g. Horizon 2020/Europe, Modernisation & Innovation Fund etc) [no State aid clearance required]
- Research & Development & Innovation State aid
- Energy & Environmental State aid
- (Regional State aid for assisted regions)

# **IMPORTANT PROJECTS OF COMMON EUROPEAN INTEREST (IPCEIs)**

## Background

- The notion of "Important Project of Common European Interest" is laid down in Art. 107(3)(b) TFEU as part of the State aid rules
- In 2014, the Commission revived this clause by adopting a dedicated Communication laying out the conditions for its application. Until now, it has been used for 1 infrastructure project decision (Fehmarn Belt fixed rail-road link between Denmark and Germany) and for 1 integrated R&D project (Microelectronics, Germany, UK, France and Italy)

## Advantages of an IPCEI (compared to other State aid rules)

- The existence of the **market failure** affecting the project can be presumed
  - Under normal R&D&I aid rules, this needs to be proven for larger projects
- The project can be aided up to 100% of the funding gap on the basis of a large set of **eligible costs**
  - Under normal regional aid and R&D&I aid rules, there are upper limits and the closer to the markets, the lower the caps
- Costs of **first industrial deployment** (i.e. between pilot line and until start of mass production) are considered eligible
  - Under normal R&D&I aid rules, this is not possible. Under regional aid rules, aid is only allowed for investment in assisted regions

## What are IPCEI projects about?

- **Contribution to Union objective(s)** and significant impact on competitiveness, sustainability, or value creation across the EU
- Project involving **more than one Member State**
- **Positive spillover effects** on internal market/Union society; benefits not limited to participating Member States & companies
- **Co-financing** by the beneficiary
- In case of R&D&I, projects must be of a **major innovative nature** or of important added value in the light of the state of the art in the sector
- First industrial deployment covered where it allows for the **development of a new product** with high R&D&I content or of an **fundamentally innovative production process**

# Assessment under IPCEI Communication

## A. Eligibility criteria

1. Definition of a project (single or integrated project)
2. Common European interest
3. Importance of the project

## B. Compatibility criteria

1. Necessity and proportionality of the aid
2. Prevention of undue distortions of competition & balancing test
3. Transparency

## A. Eligibility criteria

### 1) Single project or integrated project

'Integrated project' = a group of single projects, inserted in a common structure/roadmap or programme, aiming at the same objective and based on a coherent systemic approach

The **individual components** may relate to separate levels of the supply chain, but must be **complementary & necessary** for the achievement of the important European objective

## A. Eligibility criteria

### 2) Common European interest

General cumulative criteria:

- 1) **Clear, identifiable and important contribution to one or more Union objectives** (e.g. KETs, etc.) & significant impact on competitiveness of the Union, sustainable growth, addressing societal challenges or value creation across Union
- 2) More than 1 Member State [*preferably several*]
- 3) **Benefits must not be confined to the financing Member States, undertakings or sector(s) concerned**, but must extend to a wide part of the Union, and be of application to the European economy or society through **positive spillover effects** which are clearly defined, concrete and identifiable
- 4) Co-financing by the beneficiaries

+ Positive indicators (e.g. designed open to all MS, involvement EC, co-financing by Union funds)

## A. Eligibility criteria

### 2) Common European interest

Specific criteria:

- i. **R&D&I projects** must be of **major innovative nature** or constitute an **important value added** in terms of R&D&I in the light of the **state of the art** in the sector concerned
- ii. **Projects comprising of industrial deployment** must allow for the development of a new product or service with **high research and innovation content** and/or the deployment of a **fundamentally innovative** production process. Regular updates without an innovative dimension of existing facilities and the development of newer versions of existing products do not qualify as IPCEI
- iii. **Environmental, energy or transport** projects must either be **of great importance for the** environmental, energy, including security of energy supply, or transport **strategy of the Union** or contribute significantly to the internal market, including, but not limited to those sectors.

## A. Eligibility criteria

### 3) Importance of the project

In order to qualify as an IPCEI, a project must be quantitatively or qualitatively important. It should either be particularly large in size or scope and/or imply a very considerable level of technological or financial risk

## B. Compatibility criteria

### 1) Necessity and proportionality

#### Necessity

Incentive effect and counterfactual

#### Proportionality

**Maximum aid = funding gap and up to 100% of eligible costs**

- Funding gap analysis
- **Eligible R&D&I costs**
- **Eligible FID costs**
  - Upscaling of pilot facilities or first-in-kind equipment and facilities, which covers the steps subsequent to the pilot line including the testing phase, but neither mass production nor commercial activities
  - As long as FID follows on from an R&D&I activity and itself contains a very important R&D&I component which constitutes an integral and necessary element for the success of project

## **B. Compatibility criteria**

**2) Prevention of undue distortions of competition & balancing test**

**3) Transparency**



## Good practices

- ✓ Openness for all Member States to be able to participate
- ✓ Involvement of the Commission in designing the IPCEI
- ✓ **Intense (and early) cooperation/joint work streams between Member States**; Member States build up the overall project together
- ✓ Certain coordination of timing and decision-making of Member States (e.g. budget commitments)
- ✓ Selection of participating companies via open calls
- ✓ Thorough preparation of all documents by the Member States; Member States accurate screening of all company documents
- ✓ High Level Meetings to set the timing and keep the pace
- ✓ If many participants: template documents are useful
- ✓ The approach in every IPCEI is case specific – different technologies

## Messages for IPCEIs

### **IPCEIs are NOT about**

- Support for mere building of production capacity, factories or mass production lines
- Boosting the competitiveness of the aid beneficiaries

Vigilance, especially on FID, needed due i.a. to potential anti-cohesion aspects, high distortive potential, and WTO risks

### **IPCEIs are about**

- ✓ Disruptive and ambitious research & innovation beyond the state of the art; Followed by first industrial deployment, i.e the short period where very important R&D&I is still necessary, e.g. to scale up a pilot line
- ✓ Actions by the beneficiaries to generate positive spillover effects, throughout the EU, on the knowledge & results they generate in the IPCEI beyond their business as usual (quantitatively & qualitatively)
- ✓ Achieving a major step towards an EU objective & EU Strategy