



EU-State Aid Rules – a view from an Innovation Policy Perspective

Bernhard von Wendland, European Commission - Directorate-General Research & Innovation

HIGH-LEVEL CONFERENCE ON INNOVATION PRINCIPLE

3 December 2019, Helsinki



The views expressed in this presentation are the views of the speaker and do not necessarily reflect the views or policies of the European Commission.

The State aid regulatory framework – the link with innovation

- Competition incentivizes enterprises to enter markets and innovate
- But...markets sometimes fail to produce sufficient incentives to invest in R&D&I
- State aid can correct market failures and provide incentives
- However, State aid for R&D and innovation may hamper competition in innovation processes
 - **by distorting competitive entry and exit processes**
 - **by distorting dynamic investment incentives**
 - **by creating or maintaining market power**
- Commission may declare State aid as "compatible with the internal market" Art. 107 (3) TFEU – otherwise aid is prohibited
- How? Commission balances distortions of competition against the positive effects of aid – on the basis of EU State aid rules

The State aid regulatory framework – the link with innovation

Legal R&I-aid objectives under EU State aid rules

innovation
clusters

Important projects
of common
European interest'

Start-ups; small
and innovative
enterprises

RDI projects

construction and
upgrade of
research
infrastructures

innovation aid for
SMEs; aid for
process/organisa-
tional innovation

feasibility studies

Example 1 – State aid rules and innovation in strategic value chains



CLEAN,
CONNECTED
AND AUTONOMOUS
VEHICLES



SMART
HEALTH



LOW CO₂
EMISSIONS
INDUSTRY



HYDROGEN
TECHNOLOGIES
AND SYSTEMS



INDUSTRIAL
INTERNET
OF THINGS
(INDUSTRIAL IIOT)



CYBERSECURITY

Characteristics

- ✓ High technological innovativeness; strong R&I-emphasis
- ✓ Potential to address global and societal challenges
- ✓ Essential for the EU's competitiveness, growth and jobs

Requirements

- ✓ Exceptional cross-border/cross-sector coordination and investment efforts
- ✓ Common strategic vision
- ✓ Long-term stakeholder commitment

Example 1 – State aid rules and innovation in strategic value chains

State aid instrument to promote strategic value chains - 'Important Project in the Common European Interest'

Concept under EU primary law – Art. 107 (3) b Treaty: "...may be considered to be compatible with the internal market...aid to promote the execution of an important project of common European interest."

- ✓ Projects must be large, ambitious, transnational, cooperative, with strategic importance
- ✓ significant positive spill over effects in the EU
- ✓ important contribution to economic growth, jobs and competitiveness
- ✓ State aid may cover up to 100% of the funding gap
- ✓ Aid even for the critical pilot-/testing phase between R&D and first mass production

'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'

Example 1 – State aid rules and innovation in strategic value chains

Commission approves State aid for 'Important Project in the Common European Interest' – Microelectronics (2018)

- ✓ **Significant investment:** Total investment approx 8 bln EUR 8. Total state aid approx. 1.75 bln EUR
- ✓ **Transnational, cross-sector:** DE, FR, IT, UK – 27 companies, 2 research organisations, upstream component manufacturers
- ✓ **Broad scope:** R&D&I in innovative technologies and components – e.g. chips, integrated circuits, and sensors for downstream applications (consumer devices, home appliances, automated vehicles, commercial and industrial devices)
- ✓ **Positive spill-over effects:** additional downstream R&I – e.g. Internet of Things, connected or driverless cars

Example 2 – Aid to promote a specific technology. Balancing positive and negative effects of aid

- Fact: By nature, State aid is ,selective`
- Issue: Technological selectivity may cause significant distortions of competition – in particular in technology-intensive markets or where technologies are still competing for future ,standard-technology` status
- Essential questions:
 - Can an objective in the common interest – e.g. low-emissions mobility – only be achieved by supporting ,certain` technologies with State aid?
 - If so, will the foreseeable positive effects of the aid outbalance any foreseeable distortions of competition and trade?

Example 2 – Aid to promote a specific technology. Balancing positive and negative effects of aid

Dutch aid scheme 'Green Deal for Electric Vehicle Charging Infrastructure' , 33.7 mln EUR Commission (2015): No objections – as positive effects outbalance distortive effects

Positive effects of aid

- ✓ Reducing emissions; support EU climate goals
- ✓ Overcome the 'chicken-and-egg problem' (lack of charging infrastructure hinders uptake of electric vehicles – lack of vehicles hinders rollout of charging infrastructure)
- ✓ Operators would only invest if aid bridges gap between investment/operating costs and revenues

Limited distortive effects

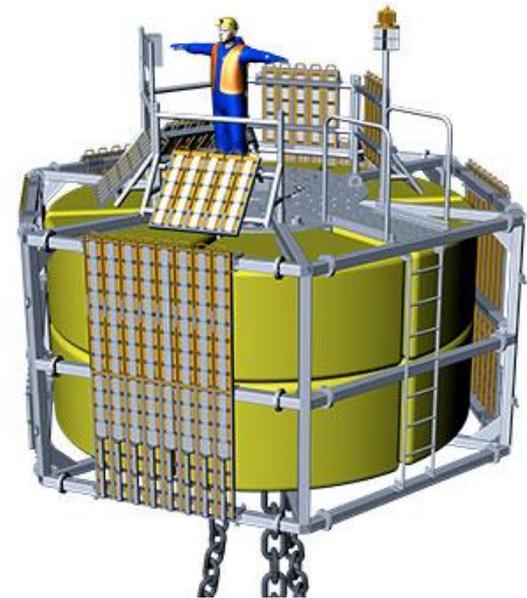
- ✓ Without the scheme, no or only a small number of charging posts in a few areas where the business case is positive.
- ✓ Aid will help to develop the new market for electric vehicles.
- ✓ Operators must compete for aid per charging post – reduces aid to the minimum.

OK to correct market failures specific to one technology. But the technology that offers the greatest consumer benefit should prevail over time.

Example 3 – ‘Technology Infrastructure’. Spotting ‘innovation gaps’ in EU State aid rules.

Technology Infrastructure

- ✓ facilities, equipment, capabilities and support services – Clean-room facilities, test areas for road traffic safety solutions, wind tunnels, multi-material 3D printing, etc. etc.
- ✓ Critical for developing, testing and upscaling technology prior to competitive market entry
- ✓ require high investment for construction and keeping up with the state-of-the-art



Regulatory gap – No specific State aid rules for « Investment aid for the construction or upgrade of technology infrastructure »

Outlook

- The Commission is currently evaluating State aid rules for effectiveness, efficiency, coherence, relevance and EU added value
- Commission services will present the outcome of this overall 'Fitness Check' in a Staff Working Document, currently scheduled for spring 2020
- Based on the result of the 'Fitness Check', the Commission can decide whether to prolong or possibly update the rules.



Thank you for your attention.