



COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION

**on the implementation in 2000 of Commission Decision n° 2496/96/ECSC of 18
December 1996 establishing Community rules for State aid to the steel industry (Steel
Aid Code)**

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Article 8 of Commission Decision n° 2496/96/ECSC of 18 December 1996 establishing Community rules for State aid to the steel industry¹ (hereinafter referred to as the Steel Aid Code) requires the Commission "to draw up annual reports on the implementation of this Decision to the Council and, for information, for the European Parliament and the Consultative Committee".

1. General overview

- 1.1. This report covers all decisions in 2000 of the Steel Aid Code². Under the Code, the Commission took decisions concerning 17 cases, five of which were approved without opening the investigating procedure, eight were the object of final decisions and the other four of a decision to initiate proceedings.
- 1.2. The cases that the Commission approved without raising any objections concerned research and development activities carried out by undertakings in Belgium and in Germany and two cases consisted of environmental tax schemes, in Germany and Sweden. The cases that proved to be more problematic were those of investment aid for environmental protection. In three of those cases, the Commission took an initial decision to initiate proceedings and in one case involving five companies it took a final negative decision. It also took two partially negative decisions in two other such cases.
- 1.3. The Commission also took a new decision concerning the Spanish company Tubacex, reversing its initial decision taken in 1997, which had been annulled by the European Court of Justice. It now decided that the debt rescheduling made in favour of the company by public institutions was in line with the practice of a private creditor in similar circumstances and that no aid was involved. In the case of the French company Myriad, the Commission decided to close proceedings taking note that, in the time since the opening of the procedure, the company had paid back the unduly received aid accrued with the due interests. In two cases of tax credits for foreign investments made by steel companies, it took a negative decision concerning the Spanish law and initiated proceedings in the case of the French law. The Commission also took a final negative decision concerning the regional aid that Germany had granted to Salzgitter. In the case of Cockerill, it took a final negative decision, considering that the employment aid granted by Belgium was illegal and incompatible with the common market.

¹ OJ L 338, 28.12.1996, p.42.

² The monitoring of the implementation of individual decisions taken under Article 95 of the ECSC treaty are the object of separate reports according to the rules of such decisions, the two reports for 2000 having been approved by the Commission on 3 May and 31 October.

2. Member States' reports

Under Article 7 of the Steel Aid Code, the Member States reported to the Commission on aid paid under the Code to the steel industry in 1999. Once again, the Commission reminds Member States of their obligation to send their reports in good time.

3. Summary description of aid cases

3.1. BELGIUM

3.1.1. Sidmar

On 15 February, the Commission took a final decision concerning the proposal by the Flemish Government in Belgium, to grant aid to Sidmar in relation to 6 investment projects resulting in the improvement of environmental protection. Whilst approving the aid for five of the projects (€ 0.608 million), it took a negative decision on one (€ 1.9 million), which referred to the construction of a circular cooler for one of the sintering plants. The reason for the negative decision was that the Belgian proposal did not ensure that all the advantages that the company would get from the investment had been deducted from the eligible basis for the aid.

3.1.2. Sidmar and ALZ

On 12 July, the Commission decided not to raise objections to aid that the Flemish Government had granted to Sidmar and ALZ for research and development projects carried out by those companies in the past recent years. Belgium failed to notify the projects in advance, but after assessing the aid to the different projects, the Commission concluded that the rules set in the R&D Framework had been complied with and was able to approve the aid. This amounted to € 3.2 million in favour of Sidmar, for 11 projects carried out by its R&D centre OCAS NV and to €0.48 million in favour of ALZ for one project.

3.1.3. ALZ

On 31 October, the Commission approved aid of the amount of € 0.745 million, representing an intensity of 38% of the costs, towards a R&D project carried out by ALZ. The project concerns the "concurrent development of a refractory lining and of processing conditions for optimised VOD refining of stainless steel" and is carried out in collaboration with the University of Leuven.

3.1.4. Cockerill

On 15 November, the Commission took a final negative decision concerning the employment aid, amounting to € 13.8 million, that Belgium granted to Cockerill in relation to a redistribution of working hours and creation of 150 jobs in order to keep the same level of working hours. It ordered the recovery of the aid already paid and the immediate suspension of payments not yet made.

The aid was granted illegally, without prior notification to the Commission. It was granted in the form of social security reductions by the Federal Government and of direct grants by the Regional Government of Wallonia.

3.2. GERMANY

3.2.1. Ecological tax scheme

On 15 February, the Commission decided to raise no objections to the application of the ecological tax reform in Germany to the steel industry, considering that it complies with the environmental guidelines and the Steel Aid Code. The Commission had first approved the German scheme in April 1999 and in its 2000 decision it maintained its approval up to 2002.

3.2.2. Stahlwerke Bremen

On 13 June, the Commission decided to open the investigation procedure on aid (€ 0.623 million) that the German authorities intend to grant to Stahlwerke Bremen, in relation to investments that the company is carrying out and that will have a positive effect on environmental protection. In applying the criterion set the Annex to the Steel Aid Code that requires that investments necessary for economic reasons or made because of the age of the installations are not eligible for aid, the Commission has doubts about the eligibility of the investments for environmental aid. It also has doubts that, if the aid was assessed under the rules, all the economic advantages that the company derives from the investment would have been deducted from the costs considered eligible for aid.

3.2.3. Salzgitter

On 28 June, the Commission adopted a final negative decision concerning the aid that the German authorities granted to Salzgitter (Preussag Stahl) and ordered its repayment. The aid was granted from the 1980s to 1995 as tax incentives, under a 1971 German law, which provided for such incentives for companies located along the border with the German Democratic Republic and Czechoslovakia. The Commission had approved that law as an aid scheme compatible with the EC treaty. However, the ECSC treaty does not provide for the possibility of such regional derogations and the aid was therefore incompatible.

3.2.4. Georgsmarienhütte

The Commission decided to open the investigation procedure concerning a management service contract concluded between Gröditzter and Georgsmarienhütte (GMH), with the support of BvS, the public authority for privatisation of companies in former East Germany. Under the contract, Gröditzter is to pay a fee of € 1.3 million per year to GMH.

Because at the moment of the contract, Gröditzter was on the brink of bankruptcy and the payment of the annual fee is guaranteed by BvS, the Commission has doubts that such a contract does not involve elements of State aid.

3.2.5. Saarstahl

On 18 October, the Commission approved aid, amounting to € 0.153 million, to Saarstahl for a R&D project, denominated "improved materials and steels for thixoforging". The project is carried out jointly by seven participants, including other industrial companies and the Universities of Aachen and Hanover.

The project, with a budget cost of € 0.306 million, was considered as industrial research and received a grant with an intensity of 50%.

3.3. SPAIN

3.3.1. Tubacex

On 31 October, the Commission decided to revoke its 1997 negative decision concerning measures in favour of Tubacex. Initially the Commission had concluded that the rescheduling of social security debts and repayment agreements with the Wage Guarantee Fund constituted incompatible aid. However, in the light of a judgement of the European Court of Justice, the Commission reviewed its previous decision and concluded that no aid was involved, the Spanish authorities having acted like a private creditor in similar circumstances.

3.3.2. Tax credits on foreign investments

On 31 October, the Commission took a final negative decision on tax credits for foreign investments provided for in the Spanish corporate tax law and considered them incompatible with the Steel Aid Code.

Contrary to the position taken by the Spanish authorities, the Commission did not consider that these provisions constitute general measures as they only benefited companies carrying out certain activities.

3.4. FRANCE

3.4.1. Myriad

On 4 October, the Commission took a decision by which it closed the proceedings initiated against regional aid that the French authorities had paid to the company, taking note that the situation had meanwhile been regularised. Indeed, after the opening of the procedure the company, on its own initiative, paid back the aid received illegally accrued with interests, the total amounting to € 2.14 million.

3.4.2. Tax credits on foreign investments

On 31 October, at the same time that it took a final negative decision concerning the tax credits for foreign investments provided for in the Spanish corporate tax law, the Commission took a decision to initiate proceedings against similar provisions existing in the French law.

3.5. ITALY

3.5.1. Five companies

On 29 November, the Commission adopted a final negative decision on aid (€1.88 million) that the Italian had notified in September 1999 in favour of five undertakings towards investments they carried out between 1986 and 1994 for investments in energy conservation.

The five undertakings are Acciaierie e Ferriere Leali SpA; Acciaierie e Ferriere Beltrame, Vicenza SpA; Acciaierie e Ferriere Beltrame, S. Giorgio Nogaro SpA; Lucchini, Mura SpA; Lucchini, Lovere SpA. The investments were considered by the Commission as not eligible for State aid because they were carried out at a time when such a type of investment was clearly excluded from environmental aid and the notified aid, more than ten years after the investments were made, would not have an incentive effect as required by the environmental guidelines and by the Code.

3.5.2. Lucchini and Siderpotenza

On 21 December, the Commission took a final decision on aid notified by the Italian authorities in favour of Lucchini and Siderpotenza. It approved aid to Siderpotenza, amounting to € 0.574 million and took a negative decision on a further € 0.105 million to Siderpotenza and on € 698 million to Lucchini.

In concluding the incompatibility of the aid, the Commission considered that the investments in question had been made for economic reasons and were not aimed at improving the environment. Moreover, the detailed criteria to assess aid for environmental purposes were not met in the case in question.

3.6. AUSTRIA

3.6.1. Voest Alpine Linz

On 11 April, the Commission decided to open proceedings concerning a proposal by the Austrian authorities to grant aid to Voest Alpine, Linz. The aid, amounting to € 2.17 million, is to help finance the cost of a new wastewater treatment and purification installation that the company is investing in and that will bring it into line with the new environmental standards.

The Commission has doubts about the reason for the investment in view of the age of its old installation.

3.7. SWEDEN

3.7.1. CO2 taxation scheme

On 21 December, the Commission approved the prolongation of the Swedish scheme of CO2 tax relief for ECSC steel companies, until the end of 2000. Although the earlier Commission's approval was limited to 1999, the Swedish authorities had continued to apply the aid scheme in 2000. Whilst giving its approval, the Commission reminds Sweden of its obligation to comply with notifying obligations under Article 6.1 of the Code.

ANNEX

DECISIONS TAKEN IN 2000 UNDER THE STEEL AID CODE

MEMBER STATE	COMPANY (Aid N°)	AMOUNT (€ million)*	MEASURE	OBJECT	COMMISSION DECISION	OFFICIAL JOURNAL
B	SIDMAR (C57/99)	0,608 (p)	grant	environment	partial (15/02)	L129, 30/5/2000
	SIDMAR and ALZ (NN139/98)	1,9 (n) Sidmar: 3,2	grant	R&D	no objections (12/7)	C 272, 23/9/2000
	ALZ (N518/00)	0,48 ALZ: 0,48	grant	R&D	no objections (31/10)	C44, 10/2/2001
	COCKERILL (C76/99)	0,745 13,8	social sec. reductions plus grant	employment	negative (21/12)	not yet publ.
D	Ecological tax (N 625/99)	n.a.	tax refund	environment	no objections (15/02)	C 134, 13/05/2000
	Stahlwerke Bremen (C34/2000)	0,623	grant	environment	open procedure (13/06)	C 310, 28/10/2000
	SALZGITTER (C10/99)	n.a.	tax relief	regional	negative (28/6)	L 323, 20/12/2000
	GMH (C43/00)	n.a.	service fee	management contract	open procedure (19/07)	C 3; 6/01/2001
	Saarstahl (N 594/00)	0,153	grant	R&D	no objections (18/10)	C44, 10/2/2001
E	TUBACEX (C9/95)	<i>n.a.</i>	debt rescheduling	loan and social sec. Debt	No aid (31/10)	L 52, 22/2/2001
	tax credits foreign investments (C57/97)	<i>n.a.</i>	tax exemption	foreign investment	negative (31/10)	L 60, 1/3/2001
F	Myriad (C45/99)	1,6	grant	aid reimbursed with interests	close procedure (4/10)	C 27, 27/01/2001
	tax credits foreign investments (C61/00)	<i>n.a.</i>	tax exemption	foreign invest.	open procedure (31/10)	not yet publ.
I	five companies ⁽¹⁾ (C13/2000)	1,88	grants	environment	negative (29/11)	not yet publ.
	Lucchini and Siderpotenza (C25/2000)	Lucch: 6,98 Sid:0,574 (p) 0,105 (n)	grants	environment	Lucchini: negative Siderpotenza: partial (21/12)	not yet publ.
A	Voest Alpine Linz (C24/2000)	2,17	grant	environment	open procedure (11/4)	C 190, 8/7/2000
SWE	CO₂ taxation (NN 71/2000)	<i>n.a.</i>	tax refund	environment	no objections (21/12)	not yet publ.

* The amounts in bold correspond to aid; the amounts *in italic* correspond to measures where the aid has not been quantified, or does not constitute aid.
(p) refers to aid object of a positive decision; (n) refers to aid object of a negative decision.

(1) The five undertaking directly concerned by case C 13/2000 were: Acciaierie e Ferriere Leali SpA; Acciaierie e Ferriere Beltrame, Vicenza SpA; Acciaierie e Ferriere Beltrame, S Giorgio Nogaro SpA; Lucchinin, Mura SpA; Lucchini Lovere SpA. SpA;