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COMMUNICATION FROM THE COMMISSION

Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia

(2022/C 131 I/01)

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**COMMUNICATION FROM THE COMMISSION****Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia**

(2022/C 131 I/01)

1. AGGRESSION AGAINST UKRAINE BY RUSSIA, ITS EFFECT ON THE EU ECONOMY AND THE NEED FOR TEMPORARY STATE AID SUPPORT MEASURES

1. On 22 February 2022, Russia illegally recognised the non-government controlled areas of Donetsk and Luhansk regions in Ukraine as independent entities. On 24 February 2022, Russia launched an unprovoked and unjustified military aggression against Ukraine. The European Union (EU) and international partners immediately reacted to the serious violation of the territorial integrity, sovereignty and independence of Ukraine by imposing restrictive measures (sanctions). Sanctions were also imposed against Belarus, due to its role in facilitating Russia's military aggression. Further measures have been adopted over the following weeks and others might be adopted as the situation evolves. Russia decided to take certain restrictive economic counter measures⁽¹⁾ of its own.

2. The Russian military aggression against Ukraine, the sanctions imposed and the counter measures taken, for example by Russia will have economic repercussions on the entire internal market. Undertakings in the EU may be affected in multiple ways, both directly and indirectly. This may take the form of shrinking demand, interruption of existing contracts and projects, with the consequent loss of turn-over, disruptions in supply chains, in particular of raw materials and pre-products, or other inputs no longer being available or not being economically affordable.

3. The Russian military aggression against Ukraine has resulted in a disruption of supply chains for EU imports from Ukraine for certain products, especially cereals and vegetable oils, as well as for EU exports to Ukraine. The energy market has been significantly impacted with increases in electricity and gas prices in the EU. The likelihood of a military aggression by Russia against Ukraine had already had effects on the energy market in the weeks preceding the physical aggression. High energy prices impact several economic sectors, including some of those particularly hit by the COVID-19 pandemic, like transport and tourism. The impact has also been felt on financial markets, in particular with concerns for liquidity and market volatility in commodity trade. The military aggression against Ukraine by Russia has also led to a

⁽¹⁾ For example, on 6 March 2022, the Government of the Russian Federation adopted Decree no 299 Amendment of paragraph 2 of the methodology for determining the amount of compensation to be paid to the patentee when deciding on the use of the invention, utility model, the decision on the use of the invention, without his consent, and the procedure for its payment. This amendment foresees 'no compensation for the use of an invention, utility model or industrial design of the "patent holders" from foreign States which commit 'unfriendly acts''.

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major displacement of Ukrainian citizens both internally and in neighbouring countries, with a unprecedented inflow into the EU of refugees, with major humanitarian and economic consequences.

4. The geopolitical crisis provoked by Russia's aggression against Ukraine is also having a particularly severe impact on the agriculture, food processing, fisheries and aquaculture sectors. High energy prices feed into high fertilisers prices. Fertiliser supply is also impacted by this restrictions on fertiliser imports from Russia and Belarus. The crisis is likely to have serious consequences on the supply of grain (in particular maize and wheat) and oilseeds (sunflower, rapeseed) or starch-derivatives from Ukraine and Russia to the EU, leading to a strong increase in livestock feed prices. The combined impact of those cost increases in energy, fertiliser, grains and oils is hardest felt by livestock farming ⁽²⁾. Ukraine is also an important producer and exporter of vegetable oils (sunflower in particular), therefore price increases for those products are affecting operators in the food-processing sector and forcing them to seek for alternatives.

5. A second concern is the impossibility for EU products to continue to flow to Ukraine and potentially also to Russia and Belarus due to the war situation or sanctions. This would affect mainly the sectors of wines and spirits, processed foods (including processed fruits and vegetables), chocolate, confectionery, infant formula, and pet food in the case of Russia, fruits and vegetables in the case of Belarus, and most agricultural products in the case of Ukraine.

6. The situation is aggravated by the sharp increase of production costs, in part through the increase of nitrogen fertiliser costs due to the extreme increase of the price of natural gas, but also by direct use of energy in agricultural production processes. As Russia and Belarus are important producers and exporters of all the three key fertilisers (nitrogen, phosphorus, potassium), sanctions will drive fertiliser prices even higher.

⁽²⁾ Ukraine is the EU's fourth biggest external food supplier and a key supplier of cereals (52 % of EU maize imports, 19 % soft wheat), vegetable oils (23 %) and oilseeds (22 %, especially rapeseed: 72 %). Global food prices are already high and could still increase in view of the situation.

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7. It is against that background that the Commission has decided to adopt this Communication to specify the criteria for the assessment of the compatibility with the internal market of State aid measures that Member States may take to remedy the economic effects following the aggression against Ukraine by Russia and the following sanctions imposed by the EU and international partners and the counter measures taken, for example by Russia ⁽³⁾. A coordinated economic response of Member States and EU institutions is crucial to mitigate the immediate social and economic negative repercussions in the EU, to preserve economic activities and jobs, and to facilitate the structural adjustments needed in response to the new economic situation created by the Russian military aggression against Ukraine.

- 1.1. **Sanctions imposed by the European Union and international partners**

8. Following the unprovoked and unjustified aggression against Ukraine by Russia, the Council of the European Union has agreed on several packages of restrictive measures.

⁽³⁾ For example, according to WIPO Global Brand Database, WIPO Global Designs Database, PatentSight database respectively, in March 2022, there were around 150 000 trademarks, 2 000 industrial designs and 44 000 patents held by the EU firms in force in Russia. EU firms trademarks protected in Russia concern mainly the following sectors: pharma, cosmetics, automotive, chemical and consumer goods, fashion and luxury goods. Given the vague terminology of the amendment of the compensation methodology to be paid to patentee by Decree no 299 of 6 March 2022 (see footnote 1) adopted by the Russian Government and the economic exposure of EU undertakings and their intangible assets hold in Russia, such a counter measure may have a potential wide and harmful impact on EU undertakings.

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9. On 23 February 2022, the Council agreed on a package including (i) targeted sanctions against the 351 members of the Russian State Duma and an additional 27 individuals, (ii) restrictions on economic relations with the non-government controlled areas of Donetsk and Luhansk regions of Ukraine, and (iii) restrictions on Russia's access to the EU's capital and financial markets and services ⁽⁴⁾.
10. On 25 February 2022, the Council agreed on further sanctions against Russia that target: (i) the financial sector, (ii) the energy, space and transport sectors (aviation), (iii) dual-use goods, (iv) export control and

⁽⁴⁾ Council Regulation (EU) 2022/259 of 23 February 2022 amending Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 42 I, 23.2.2022, p. 1); Council Implementing Regulation (EU) 2022/260 and 2022/261 of 23 February 2022 implementing Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 42 I, 23.2.2022, p. 3; OJ L 42 I, 23.2.2022, p. 15); Council Regulation (EU) 2022/262 of 23 February 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 42 I, 23.2.2022, p. 74); Council Regulation (EU) 2022/263 of 23 February 2022 concerning restrictive measures in response to the recognition of the non-government controlled areas of the Donetsk and Luhansk oblasts of Ukraine and the ordering of Russian armed forces into those areas (OJ L 42 I, 23.2.2022, p. 77); Council Decision (CFSP) 2022/264 of 23 February 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 42 I, 23.2.2022, p. 95); Council Decision (CFSP) 2022/265 and 2022/267 of 23 February 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 42 I, 23.2.2022, p. 98; OJ L 42 I, 23.2.2022, p. 114); and Council Decision (CFSP) 2022/266 of 23 February 2022 concerning restrictive measures in response to the recognition of the non-government controlled areas of the Donetsk and Luhansk oblasts of Ukraine and the ordering of Russian armed forces into those areas (OJ L 42 I, 23.2.2022, p. 109).

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export financing, (v) visa policy, and (vi) additional sanctions against Russian and other (including Belarusian) individuals ⁽⁵⁾

11. On 28 February 2022, the Council decided to close the European airspace for Russian aircraft and adopted preventive measures to ensure that the Russian Central Bank cannot deploy its international reserves in ways that undermine the impact of the measures taken ⁽⁶⁾. The Council also adopted additional sanctions against Russian persons ⁽⁷⁾.

⁽⁵⁾ Council Decision (CFSP) 2022/327 of 25 February 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 48, 25.2.2022, p. 1); Council Regulation (EU) 2022/328 of 25 February 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 49, 25.2.2022, p. 1); Council Decision (CFSP) 2022/329 of 25 February 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 50, 25.2.2022, p. 1); Council Regulation (EU) 2022/330 of 25 February 2022 amending Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 51, 25.2.2022, p. 1); Council Decision (CFSP) 2022/331 of 25 February 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 52, 25.2.2022, p. 1); Council Implementing Regulation (EU) 2022/332 of 25 February 2022 implementing Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 53, 25.2.2022, p. 1); Council Decision (EU) 2022/333 of 25 February 2022 on the partial suspension of the application of the Agreement between the European Community and the Russian Federation on the facilitation of the issuance of visas to the citizens of the European Union and the Russian Federation (OJ L 54, 25.2.2022, p. 1).

⁽⁶⁾ Council Regulation (EU) 2022/334 of 28 February 2022 amending Council Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 57, 28.2.2022, p. 1), and Council Decision (CFSP) 2022/335 of 28 February 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 57, 28.2.2022, p. 4).

⁽⁷⁾ Council Implementing Regulation (EU) 2022/336 of 28 February 2022 implementing Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ, L 58, 28 February 2022, p. 1) and Council Decision (CFSP) 2022/337 of 28 February 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ, L 59, 28 February 2022, p. 1).

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12. On 1 March 2022, the Council adopted further measures: (i) the removal of selected Russian banks from the SWIFT messaging system ⁽⁸⁾, (ii) measures against disinformation spread by Russian State-owned media Russia Today and Sputnik ⁽⁹⁾.
13. On 2 March 2022, due to its role in facilitating the military aggression, the Council decided to introduce further sanctions against Belarus related to the trade of goods used for the production or manufacturing of tobacco products, mineral products, potassium chloride ('potash') products, wood products, cement products, iron and steel products, and rubber products. It also prohibited the export to Belarus or for use in Belarus of dual-use goods and technology, exports of goods and technology which might contribute to Belarus's military, technological, defence and security development, and exports of machinery, together with restrictions on the provision of related services ⁽¹⁰⁾. The Council also adopted individual measures against 22 Belarusian individuals ⁽¹¹⁾.
14. On 9 March 2022, the Council adopted additional measures targeting the Belarusian financial sector, including a SWIFT ban for three Belarusian banks, a prohibition on transactions with the Central Bank of Belarus, limits on the financial inflows from Belarus to

⁽⁸⁾ Council Regulation (EU) 2022/345 of 1 March 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 63, 2.3.2022, p. 1), and Council Decision (CFSP) 2022/346 of 1 March 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 63, 2.3.2022, p. 5).

⁽⁹⁾ Council Regulation (EU) 2022/350 of 1 March 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 65, 2.3.2022, p. 1), and Council Decision (CFSP) 2022/351 of 1 March 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 65, 2.3.2022, p. 5).

⁽¹⁰⁾ Council Regulation (EU) 2022/355 of 2 March 2022 amending Regulation (EC) No 765/2006 concerning restrictive measures in view of the situation in Belarus (OJ L 67, 2.3.2022, p. 1), and Council Decision (CFSP) 2022/356 of 2 March 2022 amending Decision 2012/642/CFSP concerning restrictive measures in view of the situation in Belarus (OJ L 67, 2.3.2022, p. 103).

⁽¹¹⁾ Council Regulation (EU) 2022/345 of 1 March 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 63, 2.3.2022, p. 1) and Council Decision (CFSP) 2022/354 of 2 March 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 63, 2.3.2022, p. 5).

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the EU and a prohibition on the provision of euro-denominated banknotes to Belarus⁽¹²⁾. The Council also introduced further restrictive measures with regard to the export of maritime navigation goods and radio communication technology to Russia. In addition, the Council imposed restrictive measures on an additional 160 individuals⁽¹³⁾. On 15 March 2022⁽¹⁴⁾, the Council agreed on further sectoral and individual measures against Russia. The Council decided in particular to: (i) prohibit all transactions with certain State-owned enterprises, (ii) prohibit the provision of any credit rating services, as well as access to any subscription services in relation to credit rating activities, to any Russian person or entity, (iii) expand the list of persons connected to Russia's defence and industrial base, on whom tighter export restrictions are imposed regarding dual-use goods and technology which might contribute to Russia's technological enhancement of its defence and security sector, (iv) prohibit new investments in the Russian energy sector, and introduce a comprehensive export restriction on equipment, technology and services for the energy industry, and (v) introduce further trade restrictions concerning iron and steel, as well as luxury goods⁽¹⁵⁾. Furthermore, the Council decided to sanction key Russian oligarchs, lobbyists and propagandists, as well as key companies in the aviation, military and dual use, shipbuilding and machine building sectors⁽¹⁶⁾.

⁽¹²⁾ Council Regulation (EU) 2022/398 of 9 March amending Council Regulation (EU) No 765/2006 concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine (OJ L 82, 9.3.2022, p. 1).

⁽¹³⁾ Council Regulation (EU) 2022/394 of 9 March 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 81, 9.3.2022, p. 1).

⁽¹⁴⁾ Council Implementing Regulation (EU) 2022/427 of 15 March 2022 implementing Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 87, 15.3.2022, p. 1); Council Regulation (EU) 2022/428 of 15 March 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 87 I, 15.3.2022, p. 13).

⁽¹⁵⁾ Council Regulation (EU) 2022/428 of 15 March 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 87 I, 15.3.2022, p. 13), and Council Decision (CFSP) 2022/430 of 15 March 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 87 I, 15.3.2022, p. 56).

⁽¹⁶⁾ Council Implementing Regulation (EU) 2022/427 of 15 March 2022 implementing Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 87 I, 15.3.2022, p. 1), and Council Decision (CFSP) 2022/429 of 15 March 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 87 I, 15.3.2022, p. 44).

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- 14bis. On 3 June 2022, the Council adopted a sixth package of sanctions⁽¹⁷⁾, in light of Russia's continuing war of aggression against Ukraine, Belarus' support for it, and the reported atrocities committed by the Russian armed forces. The package includes: 1) a ban on imports from Russia of crude oil and refined petroleum products, with limited exceptions; 2) a SWIFT ban for an additional three Russian bank and one Belarusian bank; and 3) a suspension of broadcasting in the Union for three more Russian State-owned outlets. The Union also adopted sanctions against an additional 65 individuals and 18 entities. They include individuals responsible for the atrocities committed in Bucha and Mariupol.

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15. In close cooperation with the EU, sanctions were also imposed by international partners, notably the United States, the United Kingdom, Canada, Norway, Japan, South Korea, Switzerland and Australia.

⁽¹⁷⁾ Council Implementing Regulation (EU) 2022/876 of 3 June 2022 implementing Article 8a(1) of Regulation (EC) No 765/2006 concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine (OJ L 153, 3.6.2022, p. 1); Council Regulation (EU) 2022/877 of 3 June 2022 amending Regulation (EC) No 765/2006 concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine (OJ L 153, 3.6.2022, p. 11); Council Implementing Regulation (EU) 2022/878 of 3 June 2022 implementing Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 153, 3.6.2022, p. 15); Council Regulation (EU) 2022/879 of 3 June 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 153, 3.6.2022, p. 53); Council Regulation (EU) 2022/880 of 3 June 2022 amending Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 153, 3.6.2022, p. 75); Council Implementing Decision (CFSP) 2022/881 of 3 June 2022 implementing Decision 2012/642/CFSP concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine (OJ L 153, 3.6.2022, p. 77); Council Decision (CFSP) 2022/882 of 3 June 2022 amending Decision 2012/642/CFSP concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine (OJ L 153, 3.6.2022, p. 88); Council Decision (CFSP) 2022/883 of 3 June 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 153, 3.6.2022, p. 92); Council Decision (CFSP) 2022/884 of 3 June 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 153, 3.6.2022, p. 128); Council Decision (CFSP) 2022/885 of 3 June 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 153, 3.6.2022, p. 139).

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- 1.2. **Undertakings and households affected by high gas and electricity prices or by disruptions of energy supply**
16. The current crisis has already driven up the prices for gas and electricity significantly above the already high levels observed in the period before the aggression. In this context, the Commission refers to the toolbox which it presented already in October 2021⁽¹⁸⁾ (the ‘October Communication’) and the REPowerEU Communication of 8 March 2022 (‘the REPowerEU Communication’)⁽¹⁹⁾,⁽²⁰⁾.
17. Very high energy prices are hurting the economy as well as the purchasing power of EU citizens, notably the most vulnerable. The European Central Bank estimated before the Russian aggression that the energy price shocks will reduce GDP growth by around 0.5 percentage points in 2022. Continued high energy prices are likely to increase poverty and affect business competitiveness. Energy-intensive industries in particular have faced higher manufacturing costs. These cost increases can in certain cases put into question the continued activity of undertakings which otherwise would be profitable, with a likely impact on employment.
18. The toolbox presented by the Commission in October 2021 has proven useful, and has been extensively applied. Most Member States have adopted measures in line with the toolbox. Those measures have eased energy bills for around 71 million households and several million small and medium-sized enterprises (‘SMEs’) and micro enterprises. Overall, costs of those measures amount to more than EUR 23 billion.

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19. The REPowerEU Communication provides further guidance and describes new actions to increase the production of green energy, diversify supplies and reduce demand, including preparatory measures for winter 2022-2023. The REPowerEU plan⁽²¹⁾ includes measures on reducing the Union’s dependency on Russian fossil fuels by accelerating the green transition, investing in energy efficiency and diversifying energy supplies. Accelerating the green transition will reduce emissions, reduce dependency on imported fossil fuels, and protect against price hikes. High energy prices also reflect the scarcity of supplies in the short term, which is

⁽¹⁸⁾ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2021) 660 final of 13 October 2021- Tackling rising energy prices: a toolbox for action and support.

⁽¹⁹⁾ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2022) 108 final of 8 March 2022 – REPowerEU: Joint European Action for more affordable, secure and sustainable energy.

⁽²⁰⁾ Through the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 (OJ L 57, 18.2.2021, p. 1), the Commission supports Member States on request in designing and implementing reforms aimed at ensuring more affordable, secure and sustainable energy.

⁽²¹⁾ COM/2022/230 final, 18 May 2022.

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feeding through into the general price level. In the short term, temporary support might therefore be needed to help undertakings for which the current crisis situation would have particularly severe short-term consequences.

▼ B**1.3. The need for close European coordination of national aid measures**

20. Targeted and proportionate application of EU State aid control serves to ensure that national support measures are effective in helping undertakings and workers affected by the current crisis. EU State aid control also ensures that the EU internal market is not fragmented and that the level playing field stays intact. The integrity of the internal market is important to withstand external pressure and to avoid subsidy races, where Member States with deeper pockets can outspend neighbours to the detriment of cohesion within the Union.

1.4. Appropriate State aid measures

21. In the overall effort of Member States to address the challenges resulting from the geopolitical situation, this Communication sets out the possibilities Member States have under EU State aid rules to ensure liquidity and access to finance for undertakings, especially SMEs that face economic challenges under the current crisis.

22. As set out in the October Communication, measures benefiting non-commercial energy consumers do not constitute State aid, provided they do not indirectly benefit a specific sector or undertaking. Member States can, for example, make specific social payments to those most at risk which could help them afford their energy bills in the short term, or provide support for energy efficiency improvements, while ensuring effective market functioning

23. Measures targeting commercial energy consumers do not constitute State aid, provided such measures are of a general nature. Such non-selective measures can, for example, take the form of general reductions in taxes or levies, a reduced rate to the supply of natural gas, electricity or district heating or reduced network costs. To the extent national interventions qualify as aid, they may be considered compatible with State aid rules if they meet certain requirements. For example, aid in the form of reductions in harmonised environmental taxes that respect the minimum levels of taxation and the rules set out in the Energy Taxation Directive⁽²²⁾ and are in line with the provisions of a Block Exemption Regulation may be implemented by Member States without prior notification to the Commission.

⁽²²⁾ Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity (OJ L 283, 31.10.2003, p. 51).

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24. Member States are invited to consider, in a non-discriminatory way, setting requirements related to environmental protection or security of supply for granting aid under section 2.4 of this Communication. This could, for example, take the following forms: ⁽²³⁾
- a. Requiring the beneficiary to meet a certain share of energy consumption needs by renewable energies, *e.g.* via power purchasing agreements or direct investments in energy generation from renewable energies;
 - b. Requiring investments in energy efficiency, reducing the energy consumption relative to economic output *e.g.* by reduced consumption for production processes, heating or transportation;
 - c. Requiring investments to reduce or diversify natural gas consumption, *e.g.* by electrification measures using renewable energy sources or circular solutions such as the re-use of waste gases;
 - d. Requiring flexibilisation of investments, to facilitate better adaptations of business processes to price signals on electricity markets.
25. Member States may also grant aid to make good the damage caused by exceptional occurrences under Article 107(2)(b) TFEU. Such State aid aimed at mitigating damage directly caused by the current and exceptional occurrences of the Russian aggression against Ukraine may also cover certain direct effects of the economic sanctions imposed or of the counter measures negatively affecting the beneficiary from operating its economic activity or a specific and severable part of its economic activity.

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- 25bis. Damage directly caused by mandatory reductions in natural gas consumption which may have to be imposed by Member States can be assessed under Article 107(2)(b) TFEU, provided there is no overcompensation.

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26. Member States must notify such aid measures and the Commission will assess them directly under Article 107(2)(b) TFEU. Such aid may be granted to undertakings in difficulty.

⁽²³⁾ Member States are invited to make use of the possibilities for granting aid approved under the guidelines on State aid for climate-, environmental protection and energy 2022, notably as regards renewable energies, energy efficiency or other decarbonisation measures.

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26bis. Reductions in gas supplies into the Union may also make it necessary to incentivise voluntary reductions in natural gas demand. Where Member States envisage introducing incentives for voluntary reductions in natural gas demand in the context of the current crisis, the Commission will assess such measures directly under Article 107(3)(b) TFEU. While this will require a case-by-case assessment, the Commission considers the following elements to be particularly relevant:

- a. the use of a competitive process based on transparent criteria to contract volumes for voluntary demand reduction;
- b. the absence of any formal restrictions to cross-border trade or flows;
- c. the limitation of the incentives concerned to demand reductions in the future that go beyond those that the beneficiary would have undertaken regardless of the measure;
- d. an immediate reduction in aggregate final gas demand in the Member State concerned while avoiding a mere shift in demand for natural gas.

26ter. Member States may also consider measures to incentivise the filling of gas storage facilities to the extent that the market does not provide incentives to do so for the coming winter. Where Member States envisage granting incentives for the filling of gas storage facilities in the context of the current crisis, the Commission will assess them directly under Article 107(3)(b) TFEU ⁽²⁴⁾. While this will require a case-by-case assessment, the Commission considers the following elements as particularly relevant:

- a. the use of a competitive process based on transparent criteria to minimise the aid;
- b. the absence of any restrictions to cross-border trade or flows;
- c. the presence of safeguards to avoid overcompensation;
- d. the compliance with the obligations and conditions for filling and incentivizing gas storage set out in Article 6a to Article 6d of Regulation (EU) 2017/1938 ⁽²⁵⁾, in particular the conditions for support measures set out in Article 6b, paragraphs (2) and (3).

⁽²⁴⁾ See Commission decision SA.103012 (2022/NN) - Incentive measure to store natural gas in the Bergermeer storage facility for the next heating period.

⁽²⁵⁾ As amended by Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 (OJ L 173, 30.6.2022, p. 17).

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26quater. The Commission will consider on a case-by-case basis possible necessary, proportionate and appropriate aid, in line with the Commission Communication ‘Save gas for a safe winter’⁽²⁶⁾ and the national gas security of supply emergency plans, in order to refurbish facilities that will contribute to replace gas, before the next winter and for a limited period of time, with another more polluting carbon fuel. Any such alternative carbon fuel must have the lowest possible emissions content, while the aid must be subject to energy efficiency efforts and avoid lock-in effects beyond the crisis, in line with EU climate objectives. Such measures can be aimed at both preemptively reducing the consumption of gas or to respond to mandatory reductions in natural gas demand, unless otherwise compensated.

26quinquies. In view of the challenges to transport goods to and from Ukraine, the Commission will consider on a case-by-case basis possible aid for insurance or reinsurance regarding transport of goods to and from Ukraine. Among other things, Member States will need to show that the insurance or reinsurance is not available at all or at rates which are substantially higher than before Russia's invasion of Ukraine.

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27. The transport of refugees and humanitarian material does not fall in principle under EU State aid rules, as long as the State is acting in the exercise of public powers (as opposed to carrying out an economic activity) and as long as the transport services are not purchased at a level above the market price.

28. Aid granted by Member States under this Communication to undertakings, which is channelled through credit institutions as financial intermediaries, shall benefit those undertakings directly. However, it may confer an indirect advantage on the financial intermediaries. Nevertheless, under the safeguards of sections 2.2 and 2.3, such indirect advantages do not have the objective to preserve or restore the viability, liquidity or solvency of the credit institutions. As a result, such aid would not be qualified as extraordinary public financial support under Directive 2014/59/EU of the European Parliament and of the

⁽²⁶⁾ COM(2022) 360/2, 20 July 2022.

▼ B

Council (the Bank Recovery and Resolution Directive - BRRD)⁽²⁷⁾ or under Regulation 806/2014 of the European Parliament and of the Council (the Single Resolution Mechanism - SRM Regulation)⁽²⁸⁾, and would not be assessed under the State aid rules applicable to the banking sector⁽²⁹⁾.

29. Aid granted by Member States to credit institutions under Article 107(2)(b) TFEU to compensate for direct damage suffered as a result of the current crisis, which does not have the objective to preserve or restore the viability, liquidity or solvency of an institution or entity would not be qualified as extraordinary public financial support under the BRRD nor under the SRM Regulation, and would also not be assessed under the State aid rules applicable to the banking sector⁽³⁰⁾.
30. If due to the current crisis and the sanctions imposed in connection with that aggression, credit institutions would need extraordinary public financial support (see Article 2(1)(28) BRRD and Article 3(1)(29) SRM Regulation) in the form of liquidity, recapitalisation or an impaired asset measure, it will have to be assessed whether the measure meets the conditions of Article 32(4)(d) (i), (ii) or (iii) of the BRRD and Article 18(4)(d)(i), (ii) or (iii) of the SRM Regulation. Where the latter conditions are fulfilled, the credit institution receiving such extraordinary public financial support would not be deemed to be failing-or-likely-to-fail.

⁽²⁷⁾ OJ L 173, 12.6.2014, p. 190, see Article 2(1)(28) of the BRRD.

⁽²⁸⁾ OJ L 225, 30.7.2014, p. 1, see Article 3(1)(29) of the SRM Regulation.

⁽²⁹⁾ Communication on the recapitalisation of financial institutions in the current financial crisis: limitation of aid to the minimum necessary and safeguards against undue distortions of competition (OJ C 10, 15.1.2009, p. 2); Communication from the Commission on the treatment of impaired assets in the Community financial sector (OJ C 72, 26.3.2009, p. 1); Communication on the return to viability and the assessment of restructuring measures in the financial sector in the current crisis under the State aid rules (OJ C 195, 19.8.2009, p. 9); Communication from the Commission on the application, from 1 January 2011, of State aid rules to support measures in favour of financial institutions in the context of the financial crisis (OJ C 329, 7.12.2010, p. 7); Communication from the Commission on the application, from 1 January 2012, of State aid rules to support measures in favour of financial institutions in the context of the financial crisis (OJ C 356, 6.12.2011, p. 7); and Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis ('2013 Banking Communication') (OJ C 216, 30.7.2013, p. 1).

⁽³⁰⁾ Any measures to support credit institutions or other financial institutions that constitute State aid in the meaning of Article 107(1) TFEU, which fall outside the present Communication must be notified to the Commission and will be assessed under the relevant State aid rules.

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31. To the extent such measures address problems linked to the aggression against Ukraine by Russia and the sanctions imposed in connection with that aggression, they would be deemed to fall under point 45 of the 2013 Banking Communication⁽³¹⁾, which sets out an exception to the requirement of burden-sharing by shareholders and subordinated creditors.
32. Aid granted under this Communication shall not be conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. Such condition would appear to be harmful to the internal market. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.
33. Aid under this Communication shall not be granted to undertakings under sanctions adopted by the EU, including but not limited to:
- a. persons, entities or bodies specifically named in the legal acts imposing those sanctions;
 - b. undertakings owned or controlled by persons, entities or bodies targeted by sanctions adopted by the EU; or
 - c. undertakings active in industries targeted by sanctions adopted by the EU, insofar as the aid would undermine the objectives of the relevant sanctions.

1.5. Applicability of Article 107(3)(b) of the TFEU

34. Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid ‘to remedy a serious disturbance in the economy of a Member State’. In this context, the Union courts have ruled that the disturbance must affect the whole or an important part of the economy of the Member State concerned, and not merely that of one of its regions or parts of its territory. This, moreover, is in line with the need to make a strict interpretation of any exceptional provision such as Article 107(3)(b) TFEU⁽³²⁾. That interpretation has been consistently applied by the Commission in its decision-making⁽³³⁾.

⁽³¹⁾ As defined in footnote 24.

⁽³²⁾ Joined Cases T-132/96 and T-143/96 *Freistaat Sachsen and others v Commission*, EU:T:1999:326, paragraph 167.

⁽³³⁾ Commission Decision 98/490/EC in Case C 47/96 *Crédit Lyonnais* (OJ L 221, 8.8.1998, p. 28), point 10.1; Commission Decision 2005/345/EC in Case C 28/02 *Bankgesellschaft Berlin* (OJ L 116, 4.5.2005, p. 1), points 153 et seq.; and Commission Decision 2008/263/EC in Case C 50/06 *BAWAG* (OJ L 83, 26.3.2008, p. 7), point 166. See Commission Decision in Case NN 70/07 *Northern Rock* (OJ C 43, 16.2.2008, p. 1); Commission Decision in Case NN 25/08 *Rescue aid to Risikoabschirmung WestLB* (OJ C 189, 26.7.2008, p. 3); Commission Decision of 4 June 2008 in *State aid C 9/08 SachsenLB* (OJ L 104, 24.4.2009, p. 34); and Commission Decision of 16 June 2017 in case SA.32544 (2011/C) *Restructuring of TRAINOSE S.A* (OJ L 186, 24.7.2018, p. 25).

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35. The Commission considers that the aggression against Ukraine by Russia, the sanctions imposed the EU or its international partners and the counter measures taken, for example by Russia have created significant economic uncertainties, disrupted trade flows and supply chains and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods, including in the agri-food sector. Those effects taken together have caused a serious disturbance of the economy in all Member States. Supply chain disruptions and increased uncertainty have direct or indirect effects that affect many sectors. In addition, rising energy prices affect virtually every economic activity in all Member States. The Commission considers accordingly, that a wide range of economic sectors in all Member States are affected by a serious economic disturbance. On that basis, the Commission considers that it is appropriate to lay down the criteria for the assessment of State aid measures that Member States may take to remedy that serious disturbance.
36. State aid is in particular justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, if it serves to remedy the liquidity shortage faced by undertakings that are directly or indirectly affected by the serious disturbance of the economy caused by the Russian military aggression against Ukraine, the sanctions imposed by the EU or by its international partners, as well as the economic counter measures taken, for example by Russia.
37. The Commission sets out in this Communication the criteria for the compatibility assessment it will apply in principle to the aid granted by Member States in this context under Article 107(3)(b) TFEU. Member States must therefore show that the State aid measures notified to the Commission and falling within the scope of this Communication are necessary, appropriate and proportionate to remedy a serious disturbance in the economy of the Member State concerned and that all the requirements of this Communication are fulfilled.
38. State aid measures notified and assessed under this Communication are intended to support undertakings active in the EU that are affected by the Russian military aggression and/or the consequences of the economic sanctions imposed and of the retaliatory counter measures taken, for example by Russia. The aid measures may not in any way be used to undermine the intended effects of sanctions imposed by the EU or its international partners and must be in full compliance

▼ B

with the anti-circumvention rules of the applicable regulations⁽³⁴⁾. In particular, it must be avoided that natural persons or entities subject to the sanctions benefit directly or indirectly from any such measures⁽³⁵⁾.

39. State aid measures falling within the scope of this Communication may be cumulated with one another in line with the requirements in the specific sections of this Communication. State aid measures covered by this Communication may be cumulated with aid under de minimis Regulations⁽³⁶⁾ or with aid under Block Exemption Regulations⁽³⁷⁾ provided the provisions and cumulation rules of those Regulations are respected. State aid measures covered by this Communication may be cumulated with aid granted under the COVID-19 Temporary Framework⁽³⁸⁾, provided their respective cumulation rules are respected. When Member States grant to the same beneficiary loans or guarantees under the COVID-19 Temporary Framework as well as and under this Communication and when the overall amount

⁽³⁴⁾ For example, Article 12 of Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p. 1).

⁽³⁵⁾ Considering the specific situation of two subsequent crises that have affected undertakings in multiple ways, Member States may choose to provide aid under this Communication also to undertakings in difficulty.

⁽³⁶⁾ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p. 1); Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013, p. 9); Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45); and Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114, 26.4.2012, p. 8).

⁽³⁷⁾ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation); Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, (OJ L 193, 1.7.2014, p. 1); and Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ L 369, 24.12.2014, p. 37).

⁽³⁸⁾ Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112 I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340 I, 13.10.2020, p. 1), C(2021) 564 (OJ C 34, 1.2.2021, p. 6), and C(2021) 8442 (OJ C 473, 24.11.2021, p. 1).

▼B

of the loan principal is calculated on the basis of self-declared liquidity needs of the beneficiary, the Member States must ensure that those liquidity needs are covered only once with aid. Likewise, aid under this Communication may be cumulated with aid under Article 107(2)(b) TFEU but there may be no overcompensation of damage suffered by the beneficiary.

2. TEMPORARY STATE AID MEASURES**2.1. Limited amounts of aid**

40. Beyond the existing possibilities based on Article 107(3)(c) TFEU, temporary limited amounts of aid to undertakings affected by the Russian aggression against Ukraine and/or by the sanctions imposed or by the retaliatory counter measures taken in response can be an appropriate, necessary and targeted solution during the current crisis.
41. The Commission will consider such State aid compatible with the internal market on the basis of Article 107(3)(b) TFEU, provided that all the following conditions are met (the specific provisions for the primary agriculture, the fishery and aquaculture sectors are set out in point 42):

▼M1

- a. The overall aid does not exceed EUR 500 000 per undertaking at any given point in time⁽³⁹⁾. The aid may be granted in the form of direct grants, tax and payment advantages or other forms such as repayable advances, guarantees⁽⁴⁰⁾ loans⁽⁴¹⁾ and equity provided the total nominal value of such measures does not exceed the overall cap of EUR 500 000 per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges.

▼B

- b. the aid is granted on the basis of a scheme with an estimated budget;
- c. the aid is granted no later than 31 December 2022⁽⁴²⁾;
- d. the aid is granted to undertakings affected by the crisis;

⁽³⁹⁾ Aid granted on the basis of schemes approved under this section which has been reimbursed before granting new aid under this section will not be taken into account in determining whether the relevant ceiling is exceeded.

⁽⁴⁰⁾ When aid is granted in form of guarantees under this section, the additional conditions in point 47(h) apply.

⁽⁴¹⁾ When aid is granted in form of loans under this section, the additional conditions in point 50(g) apply.

⁽⁴²⁾ If the aid is granted in the form of a tax advantage, the tax liability in relation to which that advantage is granted must have arisen no later than 31 December 2022.

▼B

- e. the aid granted to undertakings active in the processing and marketing of agricultural products ⁽⁴³⁾ is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers, unless, in the latter case, the products were either not put on the market or were used for non-food purposes such as distillation, methanization or composting by the undertakings concerned.

▼C1

42. By way of derogation from point 41(a), the following specific conditions apply to aid granted to undertakings active in the primary production of agricultural products, fishery and aquaculture sectors, in addition to the conditions of point 41(b) to (d):

▼M1

- a. the overall aid does not at any point in time exceed EUR 62 000 per undertaking active in the primary production of agricultural products and EUR 75 000 per undertaking active in the fishery and aquaculture sectors; ⁽⁴⁴⁾ the aid may be granted in the form of direct grants, tax and payment advantages or other forms such as repayable advances, guarantees ⁽⁴⁵⁾, loans ⁽⁴⁶⁾ and equity provided the total nominal value of such measures does not exceed the overall relevant cap of EUR 62 000 or EUR 75 000 per undertaking; all figures used must be gross, that is, before any deduction of tax or other charge;

▼B

- b. aid to undertakings active in the primary production of agricultural products is not fixed on the basis of the price or quantity of products put on the market;
- c. aid to undertakings active in the fishery and aquaculture does not concern any of the categories of aid referred to in Article 1(1)(a) to (k) of Regulation (EU) No 717/2014 ⁽⁴⁷⁾.

⁽⁴³⁾ As defined in Article 2(6) and Article 2(7) of Commission Regulation (EC) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ L 193, 1.7.2014, p. 1).

⁽⁴⁴⁾ Aid granted on the basis of schemes approved under this section that has been reimbursed before granting of new aid under this section must not be taken into account in determining whether the relevant ceiling is exceeded.

⁽⁴⁵⁾ When aid is granted in form of guarantees under this section, the additional conditions in point 47(h) apply.

⁽⁴⁶⁾ When aid is granted in form of loans under this section, the additional conditions in point 50(g) apply.

⁽⁴⁷⁾ Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 90, 28.6.2014, p. 45).

▼ M1

43. Where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 41(a) and 42(a), the Member State concerned must ensure, by appropriate means, such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 500 000 is not exceeded per undertaking. Where an undertaking is active exclusively in the sectors covered by point 42(a) the overall maximum amount of EUR 75 000 should not be exceeded per undertaking.

▼ B

44. Measures granted under this Communication in the form of repayable advances, guarantees, loans or other repayable instruments may be converted into other forms of aid such as grants, provided the conversion takes place by 30 June 2023 at the latest and the conditions in this section are complied with.

2.2. **Liquidity support in the form of guarantees**

45. In order to ensure access to liquidity to undertakings affected by the current crisis, public guarantees on loans for a limited period and loan amount can be an appropriate, necessary and targeted solution during the current circumstances ► **M1** ⁽⁴⁸⁾ ◀.

46. For the same underlying loan principal, guarantees granted under this section may not be cumulated with aid granted under section 2.3 of this Communication and vice versa or with aid granted under sections 3.2 or 3.3 of the COVID-19 Temporary Framework. Guarantees granted under this section may be cumulated for different loans provided the overall loan amount per beneficiary does not exceed the ceilings set out in point 47(e) of this Communication. A beneficiary may benefit in parallel from multiple measures under this section provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 47(e).

47. The Commission will consider such State aid in the form of public guarantees as compatible with the internal market on the basis of Article 107(3)(b) TFEU provided:

- a. Public guarantees are provided on new individual loans made to undertakings;
- b. Guarantee premiums are set per individual loans at a minimum level, which shall increase progressively as the duration of the guaranteed loan increases, as set out in the following table:

⁽⁴⁸⁾ For the purpose of this section, the term ‘public guarantees on loans’ covers also guarantees on certain factoring products, namely guarantees on recourse and reverse factoring where the factor has the right of recourse to the factoree. Eligible reverse factoring products must be limited to products that are used only after the seller has already executed its part of the transaction, *i.e.* the product or service has been delivered. Financial leasing is also covered by the term ‘public guarantees on loans’.

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| Type of recipient | For 1 st year | For 2 nd –3 rd year | For 4 th –6 th years |
|-------------------|--------------------------|---|--|
| SMEs | 25bps | 50bps | 100bps |
| Large enterprises | 50bps | 100bps | 200bps |

- c. As an alternative, Member States may notify schemes, considering the above table as a basis, but whereby guarantee duration, guarantee premiums and guarantee coverage may be modulated for each underlying individual loan principal (for instance, lower guarantee coverage could offset a longer duration or could allow lower guarantee premiums); a flat premium may be used for the entire duration of the guarantee, if it is higher than the minimum premiums for the 1st year set out in the table above for each type of beneficiary, as adjusted according to guarantee duration and guarantee coverage under this paragraph;
- d. The guarantee is granted by 31 December 2022 at the latest;
- e. The overall amount of loans per beneficiary, for which a guarantee is granted under this section, shall not exceed:
- (i) 15 % of the beneficiary's average total annual turnover over the last three closed accounting periods ►M1 ⁽⁴⁹⁾ ◀;
 - (ii) 50 % of energy costs over the 12 months preceding the month when the application for aid is submitted ►M1 ⁽⁵⁰⁾ ◀; or
 - (iii) upon appropriate justification to be provided by the Member State to the Commission for its assessment (for example in connection with the challenges faced by the beneficiary during the current crisis) ⁽⁵¹⁾, the amount of the loan may be increased to cover the liquidity needs from the moment of granting for the coming 12 months for SMEs ⁽⁵²⁾ and for the coming 6 months for large enterprises. The liquidity needs

⁽⁴⁹⁾ When the beneficiaries of the measure are newly established enterprises that do not hold three closed annual accounts, the applicable cap provided by point 47(e)(i) will be calculated based on the undertaking's duration of existence at the moment of the aid application by the undertaking.

⁽⁵⁰⁾ When the beneficiaries of the measure are newly established enterprises that do not have records for the entirety of the preceding twelve months, the applicable cap provided by point 47(e)(ii) will be calculated based on the undertaking's duration of existence at the moment of the aid application by the undertaking.

⁽⁵¹⁾ Relevant justification could relate to beneficiaries active in sectors that are particularly affected by direct or indirect effects of the aggression, including sanctions imposed by the EU, its international partners, as well as counter measures taken, for example by Russia. Those effects may include disruptions of supply chains or outstanding payments from Russia or Ukraine, increased risks of cyber-attacks or rising prices for specific inputs or raw-materials affected by the current crisis.

⁽⁵²⁾ As defined in Annex I to the General Block Exemption Regulation.

▼B

already covered by aid measures under the COVID-19 Temporary Framework cannot be covered by measures adopted under this Communication. The liquidity needs should be established through self-certification by the beneficiary ⁽⁵³⁾;

- f. The duration of the guarantee is limited to maximum six years, unless modulated according to point 47(c), and the guarantee may not exceed:
- (i) 90 % of the loan principal where losses are sustained proportionally and under same conditions by the credit institution and the State; or
 - (ii) 35 % of the loan principal, where losses are first attributed to the State and only then to the credit institutions (*i.e.* a first-loss guarantee); and
 - (iii) in both of the above cases, when the size of the loan decreases over time, for instance because the loan starts to be reimbursed, the guaranteed amount must decrease proportionally;
- g. The guarantee shall relate to investment and/or working capital loans;
- h. Guarantees may be provided directly to final beneficiaries or to credit institutions and other financial institutions as financial intermediaries. The credit institutions or other financial institutions should, to the largest extent possible, pass on the advantages of the public guarantees to the final beneficiaries. The financial intermediary must be able to demonstrate that it operates a mechanism that ensures that the advantages are passed on to the largest extent possible to the final beneficiaries in the form of higher volumes of financing, riskier portfolios, lower collateral requirements, lower guarantee premiums or lower interest rates than without such public guarantees.

2.3. Liquidity support in the form of subsidised loans

48. In order to ensure access to liquidity to undertakings affected by the current crisis, subsidised interest rates for a limited period and loan amount may be an appropriate, necessary and targeted solution during the current circumstances.

49. For the same underlying loan principal, loans granted under this section shall not be cumulated with aid granted under section 2.2 of this Communication and vice-versa. Loans and guarantees granted under this Communication may be cumulated for different loans provided the overall amount of loans per beneficiary does not exceed the thresholds set out in ►**M1** point 47(e) ◀ or in point 50(e). A beneficiary may benefit in parallel from multiple subsidised loans under this section provided the overall amount of loans per beneficiary does not exceed the ceilings set out in point 50(e).

⁽⁵³⁾ The liquidity plan may include both working capital and investment costs.

▼B

50. The Commission will consider State aid in the form of subsidised loans in response to the current crisis as compatible with the internal market on the basis of Article 107(3)(b) TFEU, provided the following conditions are met:

- a. The loans are not granted to credit institutions or other financial institutions;
- b. The loans may be granted at reduced interest rates, which are at least equal to the base rate (1 year IBOR or equivalent as published by the Commission⁽⁵⁴⁾) available either on 1 February 2022 or at the moment of notification, plus the credit risk margins as set-out in the table below ► **M1** ⁽⁵⁵⁾ ◀:

| Type of recipient | Credit risk margin for 1st year | Credit risk margin for a 2nd -3rd year | Credit risk margin for 4th-6th year |
|-------------------|---------------------------------|--|-------------------------------------|
| SMEs | 25bps ⁽¹⁾ | 50bps ⁽¹⁾ | 100bps |
| Large enterprises | 50bps | 100bps | 200bps |

⁽¹⁾ The minimum all-in interest rate (base rate plus the credit risk margins) should be at least 10 bps per year.

- c. As an alternative, Member States may notify schemes, considering the above table as a basis, but whereby the loan maturity and the level of credit risk margins may be modulated, for instance, a flat credit risk margin may be used for the entire duration of the loan, if it is higher than the minimum credit risk margin for the 1st year for each type of beneficiary, as adjusted according to the loan maturity under this paragraph⁽⁵⁶⁾ ► **M1** ⁽⁵⁷⁾ ◀;
- d. The loan contracts are signed by 31 December 2022 at the latest and are limited to maximum six years, unless modulated according to point 50(c);

⁽⁵⁴⁾ Base rates calculated in accordance with the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008, p. 6) and published on the website of DG Competition at ► **M1** https://ec.europa.eu/competition-policy/state-aid/legislation/reference-discount-rates-and-recovery-interest-rates_en ◀.

⁽⁵⁵⁾ If a grace period is applied for interest payments, the minimum interest rates set out in point 50(b) must be complied with and interests must accrue from the first day of the grace period and must be capitalised at least annually. The duration of the loan contracts will remain limited to maximum of six years from the moment of granting the loan unless modulated in line with point 50(c) and the overall amount of the loans per beneficiary referred to in point 50 (e) will not be exceeded.

⁽⁵⁶⁾ The minimum all-in interest rate (base rate plus the credit risk margins) should be at least 10 bps per year.

⁽⁵⁷⁾ See the summary of case practice on modulation under point 50(c) published on the website of DG Competition at https://ec.europa.eu/competition-policy/state-aid/ukraine_en.

▼B

- e. The overall amount of the loans per beneficiary shall not exceed:
- (i) 15 % of the beneficiary's average total annual turnover over the last three closed accounting periods ►**M1**⁽⁵⁸⁾ ◀; or
 - (ii) 50 % of energy costs over the 12 months preceding the month when the application for aid is submitted ►**M1**⁽⁵⁹⁾ ◀;

▼M1

- (iii) with appropriate justification provided by the Member State to the Commission (for example in connection with the challenges faced by the beneficiary during the current crisis)⁽⁶⁰⁾, the amount of the loan may be increased to cover the liquidity needs from the moment of granting for the coming 12 months for SMEs⁽⁶¹⁾ and for the coming 6 months for large enterprises. Where large enterprises need to provide financial collaterals for trading activities on energy markets, the amount of the loan may be increased to cover the liquidity needs derived from these activities for the coming 12 months. The liquidity needs already covered by aid measures under the COVID-19 Temporary Framework shall not be covered by the current Communication. The liquidity needs should be established through self-certification by the beneficiary⁽⁶²⁾;

▼B

- f. Loans shall relate to investment and/or working capital needs;
- g. Loans may be provided directly to final beneficiaries or through credit institutions and other financial institutions as financial intermediaries. In such a case, the credit institutions or other financial institutions should, to the largest extent possible, pass on the advantages of the subsidised interest rates on loans to the final beneficiaries. The financial intermediary must be able to demonstrate that it operates a mechanism that ensures

⁽⁵⁸⁾ When the beneficiaries of the measure are newly established enterprises that do not hold three closed annual accounts, the applicable cap provided by point 50(e)(i) will be calculated based on the undertaking's duration of existence at the moment of the aid application by the undertaking.

⁽⁵⁹⁾ When the beneficiaries of the measure are newly established enterprises that do not have records for the entirety of the preceding twelve months, the applicable cap provided by point 50(e)(ii) will be calculated based on the undertaking's duration of existence at the moment of the aid application by the undertaking.

⁽⁶⁰⁾ Relevant justification could relate to beneficiaries active in sectors that are particularly affected by direct or indirect effects of the Russian aggression, including restrictive economic measures taken by the Union and its international partners, as well as counter measures taken by Russia. Those effects may include disruptions of supply chains or outstanding payments from Russia or Ukraine, increased price volatility on energy markets and related collateral needs, increased risks of cyber-attacks, or rising prices for specific inputs or raw-materials affected by the current crisis.

⁽⁶¹⁾ As defined in Annex I to the General Block Exemption Regulation.

⁽⁶²⁾ The liquidity plan may include both working capital and investment costs.

▼B

that the advantages are passed on to the largest extent possible to the final beneficiaries without conditioning the granting of subsidised loans under this section to refinancing existing loans.

2.4. **Aid for additional costs due to exceptionally severe increases in natural gas and electricity prices**

▼M1

51. Beyond the existing possibilities available in accordance with Article 107(3)(c) TFEU and the possibilities set out in this Communication, temporary support could alleviate exceptionally severe increases in the price of natural gas and electricity, which undertakings may not be able to pass on or adapt to in the short-term. This could mitigate the consequences for undertakings and help them cope with the steep cost increases as a consequence of the current crisis. Against the background of further reductions in gas supplies, it is on the other hand also important to maintain incentives for demand reductions and gradually prepare undertakings to shift towards reducing gas consumption. Additional support may currently still be warranted to enable continued activity of energy-intensive undertakings.

52. The Commission will consider such State aid compatible with the internal market on the basis of Article 107(3)(b) TFEU, provided the following conditions are met:

- a. The aid is granted no later than 31 December 2022; ⁽⁶³⁾
- b. The aid may be granted in the form of direct grants, tax ⁽⁶⁴⁾ and payment advantages or other forms such as repayable advances, guarantees ⁽⁶⁵⁾, loans ⁽⁶⁶⁾ and equity provided the total nominal value of such measures does not exceed the applicable aid intensity and aid ceilings. All figures used must be gross, that is, before any deduction of tax or other charge;
- c. Aid granted in the form of repayable advances, guarantees, loans or other repayable instruments may be converted into other forms of aid such as grants, provided the conversion takes place by 30 June 2023 at the latest;

⁽⁶³⁾ By way of derogation, when the aid is granted only after an ex post verification of the supporting documentation of the beneficiary and the Member State decides not to include the possibility to grant advance payments in line with point 52(h), aid may be granted until 31 March 2023 provided the eligible period as defined in point 52(e) is respected.

⁽⁶⁴⁾ If the aid is granted in the form of a tax advantage, the tax liability in relation to which that advantage is granted must have arisen no later than 31 December 2022.

⁽⁶⁵⁾ When aid is granted in form of guarantees under this section, the additional conditions in point 47(h) apply.

⁽⁶⁶⁾ When aid is granted in form of loans under this section, the additional conditions in point 50(g) apply.

▼ M1

- d. The aid is granted on the basis of a scheme with an estimated budget. Member States may limit the aid to activities that support specific economic sectors of particular importance to the economy or to the security and resilience of the internal market. However, such limits need to be designed broadly and not lead to an artificial limitation of potential beneficiaries;
- e. For the purposes of this section, eligible costs are calculated based on the increase in natural gas and electricity costs linked to the Russian aggression against Ukraine. The maximum eligible cost is the product of the number of units of natural gas and electricity procured by the beneficiary⁽⁶⁷⁾ from external suppliers as a final consumer⁽⁶⁸⁾ between 1 February 2022 and 31 December 2022 at the latest ('eligible period') and increase in the price that the beneficiary pays per unit consumed (measured for example in EUR/MWh), which must be calculated as the difference between the unit price paid by the beneficiary in a given month in the eligible period and twice (200 %) the unit price paid by the beneficiary on average in the reference period from 1 January 2021 until 31 December 2021⁽⁶⁹⁾. As from 1 September 2022, the quantity of natural gas and electricity used to calculate the eligible costs must not exceed 70 % of the beneficiary's consumption for the same period in 2021;
- f. The overall aid per beneficiary does not exceed 30 % of the eligible costs;
- g. The overall aid per undertaking does not exceed EUR 2 million at any given point in time;
- h. The granting authority may make an advance payment to the beneficiary when the aid is granted before the eligible costs have been incurred. When doing so, the granting authority may rely on estimations of the eligible cost provided that the aid ceilings in point 52(f) and (g) are respected. The granting authority is required to verify the relevant ceilings ex-post on the basis of actual cost incurred and to claw back any aid payment that exceed those ceilings no later than six months after the eligible period has ended;
- i. Aid granted under this point 52 may be cumulated with aid granted under section 2.1, provided that a total amount of EUR 2 million is not exceeded.

⁽⁶⁷⁾ For the purposes of section 2.4 exclusively, 'beneficiary' means an undertaking or a legal entity that forms part of an undertaking.

⁽⁶⁸⁾ As demonstrated by the beneficiary e.g. based on the respective bill. Only final consumption will be counted, sales and own production are excluded.

⁽⁶⁹⁾ $(p(t) - p(\text{ref}) * 2) * q(t)$, where p denotes the unit price, q the quantity consumed, ref the reference period from 1 January 2021 to 31 December 2021 and t the given month in the period from 1 February to 31 December 2022.

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53. In certain situations, further aid may be necessary to ensure the continuation of an economic activity. To that end, Member States may grant aid exceeding the values calculated pursuant to point 52(f) and (g) where, in addition to meeting the conditions in point 52(a) to (e) and (h), the following conditions are met:
- a. The beneficiary is eligible, if it is an ‘energy-intensive business’ within the meaning of the first limb of Article 17(1)(a) of Directive 2003/96/EC ⁽⁷⁰⁾, *i.e.* where the purchases of energy products (including energy products other than natural gas and electricity) amount to at least 3.0 % of the production value ⁽⁷¹⁾; upon appropriate justification to be provided by the Member State to the Commission for its assessment, the production value may be replaced by turnover;
 - b. The beneficiary is eligible if it incurs operating losses ⁽⁷²⁾, whereby the increase in the eligible cost as defined in point 52(e) must amount to at least 50 % of the operating loss in the same period;
 - c. The overall aid does not exceed 50 % of the eligible costs and amounts to a maximum of 80 % of the operating losses of the beneficiary;
 - d. The overall aid does not exceed EUR 25 million per undertaking at any given point in time;
 - e. For an energy-intensive beneficiary active in one or more sectors or sub-sectors listed in Annex I ⁽⁷³⁾, the overall aid may be increased to a maximum of 70 % of the eligible costs and may amount to a maximum of 80 % of the operating losses incurred by the beneficiary. The overall aid may not exceed EUR 50 million per undertaking at any given point in time;
 - f. Aid under point 53 maybe cumulated with aid under section 2.1, provided that the ceilings specified under points 53(d) or 53(e), whichever applies, are not exceeded.

⁽⁷⁰⁾ Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity (OJ L 283, 31.10.2003, p. 51).

⁽⁷¹⁾ Based on financial accounting reports for the calendar year 2021 or the latest available annual accounts.

⁽⁷²⁾ The undertaking is considered to have operating losses when EBITDA (earnings before interest, taxes, depreciation, and amortisation, excluding one off impairments) for the eligible period is negative. Such operating losses should be demonstrated by the beneficiary on a monthly or quarterly basis, unless otherwise duly justified.

⁽⁷³⁾ A beneficiary will be considered as active in a sector or subsector listed in Annex I according to the beneficiary’s classification in the sectoral national accounts or if one or several of the activities it carries out and which are included in Annex I generated more than 50 % of its turnover or production value in the reference period.

▼ M12.5. **Aid for accelerating the rollout of renewable energy, storage, and renewable heat relevant for REPowerEU**

53bis. Beyond the existing possibilities available in accordance with Article 107(3)(c) TFEU, it is essential in the context of Russian military aggression against Ukraine and of the REPowerEU Plan ⁽⁷⁴⁾ to accelerate and expand the availability of renewable energy in a cost-effective way with a view to quickly reducing dependency on Russian fossil fuels imports and accelerate the energy transition. State aid to accelerate the deployment of solar capacity, wind power capacity, geothermal energy capacity, electricity and thermal energy storage, renewable heat as well as the production of renewable hydrogen, biogas and biomethane from waste and residues, forms part of an appropriate, necessary and targeted solution to reduce the dependency on imported fossil fuels in the current context. In the light of the urgent need to ensure the swift implementation of projects that accelerate the rollout of renewable energy, storage and renewable heat certain simplifications for the implementation of support measures are justified on a temporary basis.

53ter. The Commission will consider compatible with the internal market on the basis of Article 107(3)(c) TFEU aid for the promotion of electricity from renewable sources, renewable hydrogen, biogas and biomethane from waste and residues, electricity and thermal energy storage and renewable heat provided the following conditions are met:

- a. the aid is granted for one of the following:
 - (i) photovoltaic or other solar electricity generation;
 - (ii) wind power electricity generation;
 - (iii) geothermal energy generation;
 - (iv) electricity or thermal energy storage;
 - (v) the production of renewable heat, including through heat pumps compliant with Annex VII to Directive (EU) 2018/2001 of the European Parliament and of the Council ⁽⁷⁵⁾;
 - (vi) the production of renewable hydrogen;

⁽⁷⁴⁾ COM/2022/230 final, 18 May 2022.

⁽⁷⁵⁾ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

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- (vii) the production of biogas and biomethane from waste and residues, compliant with the EU sustainability criteria pursuant to Article 29 to Directive (EU) 2018/2001 and with Regulation (EU) 2018/841 ⁽⁷⁶⁾;
- b. support schemes may be limited to one or several technologies under point (a) but must not include any artificial limitation or discrimination, (including in the award of licences, permits or concessions when they are required) such as limitations by size of projects, location or regional aspects or very specific (sub)types of technologies within one of the technologies referred in point (a);
 - c. the aid is granted in the form of direct grants, repayable advances, loans, guarantees or tax advantages;
 - d. the aid is granted on the basis of a scheme with an estimated volume and budget;
 - e. the aid is granted by 30 June 2023 at the latest and the installations must be completed and be in operation within 24 months after the date of granting or 30 months after the date of granting for aid to offshore wind, renewable hydrogen installations. Where this deadline is not met, 5 % of the amount of aid awarded must be reimbursed or reduced per month after the first 3 months of delay, increasing to 10 % per month of delay after the sixth month, unless the delay is due to factors outside the control of the aid beneficiary, and could not reasonably have been foreseen ⁽⁷⁷⁾;
 - f. where the aid is granted in the form of contracts for ongoing aid payments, those contracts must not have a duration longer than 15 years after the aided installation starts operations;
 - g. the aid is granted in a competitive bidding process that is open, clear, transparent and non-discriminatory, based on objective criteria that are defined ex ante and that minimise the risk of strategic bidding. At least 70 % in the total selection criteria used for ranking bids must be defined in terms of aid per unit of environmental protection ⁽⁷⁸⁾ or aid per unit of energy;

⁽⁷⁶⁾ Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU (OJ L 156, 19.6.2018, p.1).

⁽⁷⁷⁾ These factors could for example include a mandatory confinement of population due to a pandemic, or worldwide disruptions in the supply chain of necessary equipment for the projects. However, it would not include delays in obtaining the required permits for the project.

⁽⁷⁸⁾ Such as EUR per tonne of CO₂ reduction.

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- h. a competitive bidding process is not mandatory when aid is granted in the form of tax advantages, insofar as it is granted in the same way for all eligible undertakings operating in the same sector of economic activity that are in the same or similar factual situation in respect of the aims or objectives of the aid measure. Furthermore, a competitive bidding process is not mandatory when the aid granted per undertaking per project does not exceed EUR 20 million and the aid beneficiaries are small projects defined as follows:
- (i) for electricity generation, electricity or thermal storage – projects below or equal to 1 MW of installed capacity;
 - (ii) for heat generation and gas production technologies – projects below or equal to 1 MW of installed capacity or equivalent;
 - (iii) for the production of renewable hydrogen – projects below or equal to 3 MW of installed capacity or equivalent;
 - (iv) for the production biogas and biomethane from waste and residues – projects below or equal to 25 000 tonnes/year of installed capacity;
 - (v) for 100 % SME-owned or renewable energy community projects – projects equal to or below 6 MW installed capacity;
 - (vi) for projects 100 % owned by small and micro-enterprises or by renewable energy communities for wind generation only – projects equal or below 18 MW of installed capacity.

Where aid for small projects is not granted in a competitive bidding process, the aid intensity shall not exceed 45 % of the total investment cost. The aid intensity may be increased by 20 percentage points for aid granted to small undertakings and by 10 percentage points for aid granted to medium-sized undertakings.

- i. the volumes of capacity or production tendered must be set to ensure that the bidding process is effectively competitive. The Member State must prove the plausibility that the volume tendered will match the potential offer of projects. This may be done with reference to past auctions, to technology targets in the National

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Energy and Climate Plan⁽⁷⁹⁾, or by introducing a safeguard mechanism in case of risk of undersubscribed tenders. In case of repeated undersubscription of competitive bidding processes, the Member State must introduce remedies for any future schemes that it notifies to the Commission for the same technology;

- j. the aid must be designed to preserve efficient operating incentives and price signals. Furthermore, aid must be designed in a way that allows to addressing windfall profits, including in times of extremely high electricity or gas prices, such as, by putting in place a claw-back mechanism defined ex-ante or by granting the aid in the form of two-way contracts for differences⁽⁸⁰⁾;
- k. where the aid is granted for the production of renewable hydrogen, the Member State must ensure that the hydrogen is produced from renewable energy sources in accordance with the methodologies set out for renewable liquid and gaseous transport fuels of non-biological origin in Directive (EU) 2018/2001;
- l. aid under this measure must not be combined with other aid for the same eligible costs;
- m. aid may be granted for investments for which works started as of 20 July 2022; for projects started before 20 July 2022, aid may be granted if it is necessary to significantly accelerate or widen the scope of the investment. In such cases, only the additional costs in relation to the acceleration efforts or the widened scope are eligible for aid;
- n. the aid must induce the beneficiary to undertake an investment, which it would not undertake, or would carry out in a restricted or different manner, without the aid. The Commission considers that, given the exceptional economic challenges that undertakings face due to the current crisis, it is generally the case that in the absence of the aid, beneficiaries would continue their activities without changes, provided that continuing their activities without changes does not entail a breach of Union law;

⁽⁷⁹⁾ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

⁽⁸⁰⁾ A contract for difference entitles the beneficiary to a payment equal to the difference between a fixed 'strike' price and a reference price – such as a market price, per unit of output. Contracts for difference may also involve paybacks from beneficiaries to taxpayers or consumers for periods in which the reference price exceeds the strike price.

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- o. the Member State must ensure compliance with the ‘do not significant harm’ principle.

2.6. **Aid for the decarbonisation of industrial production processes through electrification and/or the use of renewable and electricity-based hydrogen fulfilling certain conditions and for energy efficiency measures**

53quater. Beyond the existing possibilities available in accordance with Article 107(3)(c) TFEU, State aid to facilitate investments in the decarbonisation of industrial activities, notably through electrification and technologies using renewable and electricity-based hydrogen fulfilling the conditions of point 53quinquies (h), and in energy efficiency measures in industry forms part of an appropriate, necessary and targeted solution to reduce the dependency on imported fossil fuels in the context of Russian military aggression against Ukraine. In the light of the urgent need to accelerate that process for swift implementation of such investments certain simplifications are justified.

53quinquies. The Commission will consider compatible with the internal market on the basis of Article 107(3)(c) TFEU the aid for investments leading to (i) a substantial reduction of greenhouse gas emissions from industrial activities currently relying on fossil fuels as energy source or feedstock, or (ii) a substantial reduction of energy consumption in industrial activities and processes, provided that all the following conditions are met:

- a. the aid is granted on the basis of a scheme with an estimated budget;
- b. the maximum individual aid amount that may be granted per undertaking must, in principle, not to exceed 10 % of the total budget available for such a scheme. With appropriate justification provided by the Member State to the Commission, the Commission may accept schemes that provide for the granting of individual aid amounts exceeding 10 % of the total budget available for the scheme;
- c. the aid is granted in the form of direct grants, repayable advances, loans, guarantees or tax advantages;
- d. the investment must enable the beneficiary to do one or both of the following:
 - (i) reduce by at least 40 % compared to the situation before the aid, direct greenhouse gas emissions from its industrial installation currently relying on fossil fuels as energy source or feedstock, by means of the electrification of the production processes, or the use of renewable and electricity-based hydrogen fulfilling the conditions of point

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- (h) below to substitute fossil fuels; for the purposes of verifying the reduction of greenhouse gas emissions, also actual emissions from the combustion of biomass is to be taken into account; ⁽⁸¹⁾
- (ii) reduce by at least 20 % compared to the situation before the aid, energy consumption in industrial installations in relation to the aided activities; ⁽⁸²⁾
- e. regarding investments relating to activities covered by the Emission Trading System (ETS), the aid leads to a reduction in the beneficiary installation's greenhouse gas emissions going below the relevant benchmarks for free allocation set out in Commission Implementing Regulation (EU) 2021/447 ⁽⁸³⁾;
- f. the aid must not be used to finance an increase of the overall production capacity of the beneficiary;
- g. where the aid is granted for an industrial decarbonisation investment involving the use of renewable hydrogen, the Member State must ensure that the hydrogen used is produced from renewable energy sources in accordance with the methodologies set out for renewable liquid and gaseous transport fuels of non-biological origin in Directive (EU) 2018/2001;
- h. aid can also be granted for an industrial decarbonisation investment involving the use of hydrogen produced from electricity in one of the following instances:
- (i) the hydrogen is produced only in hours in which the marginal generation unit in the bidding zone where the electrolyser is located in the imbalance settlement periods when the electricity is consumed is a fossil-free electricity generation plant. Hydrogen produced in hours in which the marginal generation unit in the bidding zone where the electrolyser is located in the imbalance settlement periods when the electricity is consumed is a renewable electricity generation plant cannot be counted a second time under this section.

⁽⁸¹⁾ The reduction in direct greenhouse gas emissions must be measured by reference to average direct greenhouse gas emissions occurred over the five years preceding the aid application (average emission on an annual basis).

⁽⁸²⁾ The reduction of energy consumption must be measured by reference to energy consumption occurred over the five years preceding the aid application (average consumption on an annual basis).

⁽⁸³⁾ Commission Implementing Regulation (EU) 2021/447 of 12 March 2021 determining revised benchmark values for free allocation of emission allowances for the period from 2021 to 2025 pursuant to Article 10a(2) of Directive 2003/87/EC of the European Parliament and of the Council (OJ L 87, 15.3.2021, p. 29).

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- (ii) alternatively, hydrogen is produced from electricity taken from the grid and the electrolyser is producing hydrogen for a number of full load hours equal or lower than the number of hours in which the marginal price of electricity in the bidding zone was set by installations producing fossil-free electricity other than renewable;

- (iii) alternatively, the Member State must ensure that the used electricity-based hydrogen achieves life-cycle greenhouse gas emissions savings of at least 70 % relative to a fossil fuel comparator of 94g CO₂eq/MJ (2.256 tCO₂eq/tH₂) and that it originates from fossil-free sources. The method to compute the greenhouse gas emissions allocated to the electricity should not lead to an increased consumption of fossil fuel in line with REPowerEU objectives. Only the share of the produced hydrogen corresponding to the average share of electricity from fossil-free electricity generation plants other than renewable electricity generation plants, in the country of production, as measured two years before the year in question, can be used for the purpose of this section.

- i. the aid is granted by 30 June 2023 and is subject to the condition that the installation or equipment to be financed by the investment must be completed and be in full operation within 24 months after the date of granting or within 30 months after the date of granting for investments involving the use of renewable and hydrogen fulfilling the conditions of point (h). Where the deadline for completion and entry into operation is not met, 5 % of the amount of aid awarded must be reimbursed or reduced per month after the first three months of delay, increasing to 10 % per month of delay after the sixth month, unless the delay is due to factors outside the control of the aid beneficiary, and could not reasonably have been foreseen ⁽⁸⁴⁾. Where the deadline for completion and entry into operation is respected, aid in the form of repayable advances may be transformed into grants; if not, the repayable advance is to be reimbursed in equal annual instalments within five years after the date of granting the aid;

- j. aid may be granted for investments for which works started as of 20 July 2022; for projects started before 20 July 2022, aid may be granted if it is necessary to significantly accelerate or widen the scope of the investment. In such cases, only the additional costs in relation to the acceleration efforts or the widened scope are eligible for aid;

⁽⁸⁴⁾ These factors could for example include a mandatory confinement of population due to a pandemic, or worldwide disruptions in the supply chain of necessary equipment for the projects. However, it would not include delays in obtaining the required permits for the project.

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- k. the aid must not be granted for merely complying with applicable Union standards ⁽⁸⁵⁾;
- l. the aid must induce the beneficiary to undertake an investment, which it would not undertake, or would carry out in a restricted or different manner, without the aid. The Commission considers that, given the exceptional economic challenges that undertakings face due to the current crisis, it is generally the case that in the absence of the aid, beneficiaries would continue their activities without changes, provided that continuing their activities without changes does not entail a breach of Union law;
- m. the eligible costs are the difference between the costs of the aided project and the cost savings or additional revenues, compared to the situation in the absence of the aid, over the lifetime of the investment;
- n. the aid intensity must not exceed 40 % of the eligible costs. The aid intensity may be increased by 10 percentage points for aid granted to medium sized undertakings and by 20 percentage points for aid granted to small undertakings. The aid intensity may also be increased by 15 percentage points for investments delivering a reduction of direct greenhouse gas emissions of at least 55 % or of energy consumption of at least 25 % compared to the situation prior to the investment ⁽⁸⁶⁾;
- o. as an alternative to the requirements set out in points (m) and (n), the investment aid may be granted in a competitive bidding process that is open, clear, transparent and non-discriminatory, based on objective criteria that are defined ex-ante and minimising the risk of strategic bidding. At least 70 % in the total selection criteria used for ranking bids must be defined in terms of aid per unit of environmental protection (such as EUR per tonne of CO₂ reduced, or EUR per unit of energy saved). The budget related to the bidding process must be a binding constraint in that it can be expected that not all bidders will receive aid;
- p. the scheme must be designed in a way that allows to address windfall profits, including in times of extremely high electricity or natural gas prices, by putting in place a claw-back mechanism defined ex ante;

⁽⁸⁵⁾ As defined in point 19(89) of the Communication from the Commission – Guidelines on State aid for climate, environmental protection and energy 2022 (OJ C 80, 18.2.2022, p. 1).

⁽⁸⁶⁾ The reduction in direct greenhouse gas emissions or energy consumption must be measured by reference to average direct greenhouse gas emissions or energy consumption occurred over the five years preceding the aid application (average emission/consumption on an annual basis).

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- q. aid under this section must not be combined with other aid for the same eligible costs.

▼ B**3. MONITORING AND REPORTING**

54. Member States must publish relevant information on each individual aid above EUR 100 000 ⁽⁸⁷⁾ granted under this Communication, and above EUR 10 000 ⁽⁸⁸⁾ in the primary agriculture and in the fisheries sectors, on the comprehensive State aid website or Commission's IT tool ⁽⁸⁹⁾ within 12 months from the moment of granting.
55. Member States must submit annual reports to the Commission ⁽⁹⁰⁾.
56. Member States must ensure that detailed records regarding the granting of aid provided for by this Communication are maintained. Such records, which must contain all information necessary to establish that the necessary conditions have been observed, must be maintained for 10 years upon granting of the aid and be provided to the Commission upon request.
57. The Commission may request additional information regarding the aid granted, in particular, to verify whether the conditions laid down in the Commission decision approving the aid measure have been met.
58. In order to monitor the implementation of this Communication, the Commission may request Member States to provide aggregate information on the use of State aid measures to remedy the serious disturbance of the economy due to the current crisis and the related restrictive measures.

4. FINAL PROVISIONS

59. The Commission applies this Communication from 1 February 2022, having regard to the economic impact of the Russian aggression against Ukraine and the subsequent sanctions. This Communication is justified by the current exceptional circumstances and will not be applied after the dates specified herein.

⁽⁸⁷⁾ Referring to information required in Annex III to Commission Regulation (EU) No 651/2014 of 17 June 2014 and of Annex III to Commission Regulation (EU) No 702/2014. For repayable advances, guarantees, loans, subordinated loans and other forms the nominal value of the underlying instrument shall be inserted per beneficiary. For tax and payment advantages, the aid amount of the individual aid may be indicated in ranges.

⁽⁸⁸⁾ Referring to information required in Annex III to Commission Regulation (EU) No 702/2014 and Annex III to Commission Regulation (EU) No 1388/2014 of 16 December 2014. For repayable advances, guarantees, loans, subordinated loans and other forms the nominal value of the underlying instrument shall be inserted per beneficiary. For tax and payment advantages, the aid amount of the individual aid may be indicated in ranges.

⁽⁸⁹⁾ The State aid transparency public search gives access to State aid individual award data provided by Member States in compliance with the European transparency requirements for State aid and can be found at <https://webgate.ec.europa.eu/competition/transparency/public?lang=en>.

⁽⁹⁰⁾ OJ L 140, 30.4.2004, p. 1.

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60. The Commission will review all sections under this Communication before 31 December 2022 on the basis of important competition or economic considerations, as well as the international developments. Where helpful, the Commission may also provide further clarifications on its approach to particular issues.
61. The Commission, in close cooperation with the Member States concerned, ensures swift assessment of measures upon clear and complete notification of measures covered by this Communication. Member States should inform the Commission of their intentions and notify plans to introduce such measures as early and comprehensively as possible. The Commission will provide guidance and assistance to Member States in this process.



ANNEX

Particularly affected sectors and sub-sectors

| | NACE code | Description |
|-----|----------------------------|--|
| 1. | 14.11 | Manufacture of leather clothes |
| 2. | 24.42 | Aluminium production |
| 3. | 20.13 | Manufacture of other inorganic basic chemicals |
| 4. | 24.43 | Lead, zinc and tin production |
| 5. | 17.11 | Manufacture of pulp |
| 6. | 07.29 | Mining of other non-ferrous metal ores |
| 7. | 17.12 | Manufacture of paper and paperboard |
| 8. | 24.10 | Manufacture of basic iron and steel and ferro-alloys |
| 9. | 20.17 | Manufacture of synthetic rubber in primary forms |
| 10. | 24.51 | Casting of iron |
| 11. | 20.60 | Manufacture of man-made fibres |
| 12. | 19.20 | Manufacture of refined petroleum products |
| 13. | 24.44 | Copper production |
| 14. | 20.16 | Manufacture of plastics in primary forms |
| 15. | 13.10 | Preparation and spinning of textile fibres |
| 16. | 24.45 | Other non-ferrous metal production |
| 17. | 23.31 | Manufacture of ceramic tiles and flags |
| 18. | 13.95 | Manufacture of non-wovens and articles made from non-wovens, except apparel |
| 19. | 23.14 | Manufacture of glass fibres |
| 20. | 20.15 | Manufacture of fertilisers and nitrogen compounds |
| 21. | 16.21 | Manufacture of veneer sheets and wood-based panels |
| 22. | 23.11 | Manufacture of flat glass |
| 23. | 23.13 | Manufacture of hollow glasses |
| 24. | | The following subsectors within the industrial gases sector (20.11): |
| | 20.11.11.50 20.11.12.90 | Hydrogen Inorganic oxygen compounds of non-metals |
| 25. | | The following subsectors within the manufacture of other organic basic chemicals sector (20.14): |

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| | NACE code | Description |
|-----|-------------|--|
| | 20.14.12.13 | Cyclohexane |
| | 20.14.12.23 | Benzene |
| | 20.14.12.25 | Toluene |
| | 20.14.12.43 | o-Xylene |
| | 20.14.12.45 | p-Xylene |
| | 20.14.12.47 | m-Xylene and mixed xylene isomers |
| | 20.14.12.50 | Styrene |
| | 20.14.12.60 | Ethylbenzene |
| | 20.14.12.70 | Cumene |
| | 20.14.12.90 | Other cyclic hydrocarbons |
| | 20.14.23.10 | Ethylene glycol (ethanediol) |
| | 20.14.63.33 | 2,2-Oxydiethanol (diethylene glycol; digol) |
| | 20.14.63.73 | Oxirane (ethylene oxide) |
| | 20.14.73.20 | Benzol (benzene), toluol (toluene) and xylol (xylenes) |
| | 20.14.73.40 | Naphthalene and other aromatic hydrocarbon mixtures (excluding benzole, toluole, xylole) |
| 26. | | The following subsector within the manufacture of other non-metallic mineral products n.e.c. sector (23.99): |
| | 23.99.19.10 | Slag wool, rock wool and similar mineral wools and mixtures thereof, in bulk, sheets or rolls |