



COMMISSION OF THE EUROPEAN COMMUNITIES

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**REPORT FROM THE COMMISSION**

**on the implementation in 2001 of Commission Decision n° 2496/96/ECSC of 18  
December 1996 establishing Community rules for State aid to the steel industry (Steel  
Aid Code)**

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Article 8 of Commission Decision n° 2496/96/ECSC of 18 December 1996 establishing Community rules for State aid to the steel industry<sup>1</sup> (hereinafter referred to as the Steel Aid Code) requires the Commission "to draw up annual reports on the implementation of this Decision to the Council and, for information, for the European Parliament and the Consultative Committee".

#### 1. General overview

- 1.1. This report covers the decisions taken by the Commission in 2001 under the Steel Aid Code. The Commission took decisions concerning 24 cases, ten of which were approved without opening the investigating procedure, ten were the object of final decisions and the other four were decisions to initiate proceedings.
- 1.2. The cases that the Commission approved without raising any objections concerned aid towards research and development activities carried out by undertakings in Belgium, Germany, Italy and the Netherlands, aid towards investments for environmental protection in Spain and Austria and a participation by Belgium in the capital of a new company. The four new procedures concern a case of non-notified intervention by Spain in a new company in relation to investments, two cases of research and development, in Spain and in Italy, and a case of an environmental tax law in the United Kingdom.
- 1.3. The Commission took a final negative decision concerning the French law on tax credits for foreign investments made by steel companies, as it had done the year before in the case of a similar Spanish law. It also took a final negative decision concerning the aid notified by Germany in favour of Brema Warmwalzwerk (environment) and of Eko-Stahl (R&D) and a partially negative decision concerning aid notified by Belgium in favour of Sidmar (environment). Three cases were closed taking note of the withdrawal of the aid notifications made by Germany and by Italy.

#### 2. Member States' reports

Under Article 7 of the Steel Aid Code, the Member States had the obligation to report to the Commission on aid paid under the Code to the steel industry in 2000. Not all Member States have yet complied with their obligation.

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<sup>1</sup> OJ L 338, 28.12.1996, p.42.

### **3. Summary description of aid cases**

#### **3.1. BELGIUM**

##### **3.1.1. Sidmar**

On 20 December, the Commission took a final decision concerning the proposal by Belgium, to grant aid to Sidmar in relation to 3 investment projects for the improvement of environmental protection. It approved the aid for the project "treatment of sludge at the steel plant" and for part of the project "centralised reduction of scrap" (EUR 0.263 million), and took a negative decision for the remainder of this latter project and for the project "treatment of sludge at furnaces" (EUR 0.353 million). The reason for the negative decision was that for the furnace project the Belgian proposal did not deduct the advantages that the company would get from the investment and in the other project, investments that were not environment related had been considered eligible.

##### **3.1.2. Sidmar**

On 18 July, the Commission decided not to raise objections to aid that the Flemish Government proposed to grant to Sidmar (EUR 0.506 million) for one research and development project on the "Control of the internal cleanliness of steel". The project included two stages of research, and the proposed aid represented an average intensity of 33%, with 41% for industrial research and 17 % for pre-competitive development activity. The Commission found that all the conditions to approve the aid were met, including the definition and the stage of research and the corresponding aid intensity, the eligibility of costs and the incentive effect.

##### **3.1.3. Duferco Belgium**

On 25 July, the Commission approved a financial intervention by the Walloon Region, Belgium, in the newly created steel company Duferco Belgium as not constituting State aid. Duferco Belgium is a holding company of the Duferco Group, where its subsidiary Duferco Investment holds 75% of the capital. The intervention of the public company Sogepa is represented by an intervention in the capital at 25% and a 10-year loan, which altogether represent 46% of the own funds of the new company. This public intervention was made in the same modalities as in the two Belgian steel undertakings of the Duferco Group, which were also approved by the Commission as not constituting State aid.

#### **3.2. GERMANY**

##### **3.2.1. Georgsmarienhütte**

On 28 November, the Commission decided to close the investigation procedure concerning a management service contract concluded between Gröditzter and Georgsmarienhütte (GMH), concluding that there was no State aid involved. It concluded that the total fee for the management contract (EUR 1.28 million per year) did not exceed the remuneration of alternative interim management for companies in a similar situation.

### **3.2.2. Gröditz**

On 20 December, the Commission decided to close the investigation procedure concerning the assets sale (EUR 30.2 million) of Gröditz (under bankruptcy procedure) to Georgsmarienhütte (GMH). The Commission came to the conclusion that there was no State aid involved. It concluded that the price offered by GMH corresponded to the market price since it was the highest price, which a private investor was ready to pay for the assets, the receivers having invited other interested parties to bid.

### **3.2.3. EKO-Stahl**

On 28 November, the Commission took a final negative decision on the aid proposed by Germany to Eko-Stahl in the amount of EUR 399 004, representing 60% of the total cost to be incurred by the company. The Commission concluded that the activities carried out by the company in the context of this global project did not qualify as research. Eko-Stahl was merely to function as a “testing ground” for the other participants in the project that aims at carrying out social research on the behaviour of workers faced with technological changes.

### **3.2.4. BREMA Warmwalzwerk**

On 28 March, the Commission took a final negative decision on the aid (EUR 0.623 million) that the German authorities had notified in favour of Stahlwerke Bremen (the intended beneficiary plant of the aid became in the meantime a legally independent entity BREMA Warmwalzwerk), in relation to investments in one furnace that would bring about a reduction in energy consumption and that way a reduction in CO<sub>2</sub> emissions. The Commission concluded that the investments were not eligible for environmental aid because the cost savings that the company will get as a result of the investment will pay for it in 4 years. Since under the Steel Aid Code, in order to calculate the eligible costs for aid, all savings made by the company have to be deducted from the investment costs no costs were eligible.

### **3.2.5. Stahlwerke Bremen**

On 20 June, the Commission decided to raise no objections to the aid proposed by Germany in favour of Stahlwerke Bremen to finance part of the costs of a pre-competitive research project. This consisted in the building and operation of a water purification demonstration plant. The aid of EUR 290 828 represented an intensity of 25%, which is in accordance with the rules for pre-competitive development activity. The project, although at this demonstration stage, has still a very high risk of failure and the demonstration plant cannot, in any case, be used for any industrial purposes. In case of success a full new plant for industrial use has to be built by the company. The Commission found that all the conditions to approve the aid were met, including the definition and the stage of research and the corresponding aid intensity, the eligibility of costs and the incentive effect.

### **3.2.6. Stahlwerke Bremen**

On 2 October, the Commission decided to close the proceedings that it had decided to initiate on 20 June concerning an aid proposal for research and development aid in favour of Stahlwerke Bremen, taking note that Germany withdrew its aid notification.

## **3.3. SPAIN**

### **3.3.1. Ten Basque companies**

On 28 March, the Commission decided to initiate the procedure against aid paid by Spain to ten steel companies in the Basque Country, for research and development activities. The aid, in the amount of EUR 0.535 million, was paid to the companies without prior notification to the Commission and its approval, and represented intensities between 40% and 4.2%. The Commission has doubts about the qualification of some of the activities as research and of some others as corresponding to the declared stage of research. There are also doubts regarding the incentive effect of the aid for the several companies to carry out the research.

### **3.3.2. Seven Basque companies**

On 6 June, the Commission decided to raise no objections to the aid that Spain had paid, in the amount of EUR 0.239 million, to seven companies in the Basque country for investment for increased environmental protection. The investments had no effect on the production process, were aimed at improving on existing norms and the aid intensity was limited to 10%. For these reasons, whilst regretting that Spain failed to comply with its obligation of prior notification to the Commission and its approval before paying out the aid, the Commission concluded that the aid was compatible with the common market.

### **3.3.3. Siderurgica Anon**

On 20 December, the Commission decided to initiate the procedure against the intervention made by Spain in favour of a new steel company Siderurgica Anon, located in Galicia. This intervention, which was carried out without prior notification to the Commission and its approval, consists of a capital shareholding by the public company SODIGA and of credit facilities in the form of a guarantee and of interest subsidies to a loan. The loan, also granted with the participation of a public fund, would finance around 32% of investments made by the company in a new rolling mill with a cost of EUR 30 050 605.

The Commission has no information about the conditions and rights attached to SODIGA's participation in the share capital, which might enable it to assess if it contains or not aid elements. It also has doubts that the credit facilities provided may contain aid elements. For these reasons, it decided to open the formal investigating procedure.

### **3.4. FRANCE**

#### **3.4.1. Tax credits on foreign investments**

On 21 November, the Commission took a final negative decision concerning the tax credits for foreign investments provided for in the French corporate tax law. The Commission considered that the French scheme conferred a financial advantage on its recipients through State resources and that it is not a general measure. As it did in the previous year for a similar law in Spain, the Commission has not ordered the recovery of aid which may have been paid to ECSC undertakings prior to its final decision and only requested France to adapt its legislation accordingly.

### **3.5. ITALY**

#### **3.5.1. Ferriere Nord**

On 28 March, the Commission decided to close the procedure against aid that Italy had notified in favour of Ferriere Nord for environmental investments in its ECSC area of activity, taking note of the withdrawal by Italy of the aid notification.

#### **3.5.2. Ilva**

On 28 March, the Commission decided to close the procedure against aid that Italy had notified in favour of Ilva for environmental investments in its ECSC area of activity, taking note of the withdrawal by Italy of the aid notification.

#### **3.5.3. Cogne**

On 31 January, the Commission decided to raise no objections to the aid notified to it by Italy in favour of Cogne Acciai Speciali Srl, towards a research programme denominated "Cogne 2004", comprising four major projects. The aid amounted to EUR 2.582 million and corresponded to an intensity of 25% and 50% according to the correspondent stage of research: industrial research or pre-competitive activity. The company will increase its research budget by more than 50% over a five-year period and is recruiting new scientific workers to carry out the new extra research activities. The Commission found that all the conditions to approve the aid were met, including the definition and the stage of research, the eligibility of costs and the incentive effect.

#### **3.5.4. Lucchini**

On 13 February, the Commission decided to initiate the procedure against an aid notified by Italy in favour of Lucchini for the financing of three research and development projects carried out by the company between January 1998 and January 2001. The aid would be in the form of soft loans, amounting to EUR 2.55 million and representing around 35% of the financing needs for the projects. The Commission has doubts that the investments made under the projects constitute research activities and in particular on the eligibility of the declared expenses. The Commission also expressed doubts on the aid intensity and the existence of an incentive effect.

## **3.6. AUSTRIA**

### **3.6.1. Voest Alpine Linz**

On 25 April, the Commission decided to close the proceedings concerning a proposal by Austria to grant aid to Voest Alpine, Linz by considering the aid compatible with the common market. In the context of the procedure, the Austrian authorities reduced the proposed aid to EUR 1.6 million and demonstrated that the investment was made only with the aim to bring the company in line with the new environmental standards. The new installations were not built in replacement of any existing installations, the previous system consisting simply of water basins that allowed for the slow filtration of the water, before it reached the river. The aid, with 15% intensity, fulfilled all the conditions set in the Steel Aid Code for aid to help firms adapt to new environmental standards.

### **3.6.2. Voest Alpine Linz**

On 2 October, the Commission decided to raise no objections to an aid proposal by Austria in favour of Voest Alpine Stahl Linz to help finance investments for the conversion of two fire extinguishing systems from the extinguishing agent Halon to the extinguishing agent Inergen. This investment aims at complying with the EU ozone Regulation, which provides for the phasing-out of systems with Halons by the end of 2003. The aid consists of a direct grant of EUR 24 187.92, representing an aid intensity of 15%. The Commission concluded that the aid fulfilled the criteria for aid to help firms comply with new environmental standards.

### **3.6.3. Böhler Edelstahl**

On 20 June, the Commission decided to raise no objections to an aid proposal by Austria in favour of Böhler Edelstahl. The aid is to help finance a secondary dust removal installation that the company is building in order to comply with the new environmental standards on dust emissions (20mg/m<sup>3</sup>), which will be statutory as from June 2002. As a result of the investment, this ceiling will not only be complied with but the dust emissions will be reduced to 10 mg/m<sup>3</sup>. The aid consists of a direct grant of EUR 348 829.6 and represents an aid intensity of 10%. The Commission concluded that the aid fulfilled the criteria for aid to help firms comply with new environmental standards.

### **3.6.4. Voest Alpine Donawitz**

On 3 July, the Commission decided to raise no objections to an aid proposal by Austria in favour of Voest-Alpine Stahl Donawitz GmbH. The aid is to help finance investments in the secondary dust removal installations and the dust recovery equipment in the secondary metallurgy for the reduction of dust emissions, in order to comply with the new environmental standards, which will be statutory as from June 2002. The aid consists of a grant of EUR 2 648 925 and represents an aid intensity of 15%. The Commission concluded that the aid fulfilled the criteria for aid to help firms comply with new environmental standards.

### **3.7. The Netherlands**

#### **3.7.1. Corus Technology**

On 25 July, the Commission decided to raise no objections to an aid proposal by the Netherlands in favour of Corus Technology, the research centre of Corus in the Netherlands. The aid is to help finance two research projects. One of the projects involves the study of fluid dynamics of liquid steel, using computer models. The other project studies the processes that occur in the hearth of the blast furnace. The grant for both projects amount to EUR 467 193.51 and represents an average intensity of 37.5%. The Commission found that all the conditions to approve the aid were met, including the definition and the stage of research and the corresponding aid intensity within each project, the eligibility of costs and the incentive effect.

#### **3.7.2. Corus Technology**

On 17 October, the Commission decided to raise no objections to an aid proposal by the Netherlands in favour of Corus Technology, the research centre of Corus in the Netherlands. The aid is to help finance one research project entitled "Excess Enthalpy Combustion" ('EEC'), consisting of research into a new combustion technique for large-scale furnaces (with temperatures above 800°C). With this technology, the project aims to achieve energy savings of 19%, a reduction of CO<sub>2</sub> in the same order and to halve NOX emissions. The grant in the amount of EUR 166 661.22 represents an average intensity of 37.5%. The Commission found that all the conditions to approve the aid were met, including the definition and the stage of research and the corresponding aid intensity, the eligibility of costs and the incentive effect.

### **3.8. United Kingdom**

#### **3.8.1. Climate change levy**

On 28 March, the Commission approved the UK's "climate change levy" with the exception of the provision concerning the exemption for dual-use fuels, for which it decided to initiate the procedure. The law provides for an exemption from the levy when energy is used partly for fuel purposes and partly for non-fuel purposes, for example in a chemical reduction as it takes place in steel blast furnaces. The Commission doubted whether this exemption constitutes a general measure or instead constitutes an aid to those companies that use this steel production process. In case it constitutes State aid, the Commission doubts of its compatibility with the Steel Aid Code.



## DECISIONS TAKEN IN 2001 UNDER THE STEEL AID CODE

MEMBER STATE	COMPANY (Aid N°)	AMOUNT (€ million)*	MEASURE	OBJECT	COMMISSION DECISION	OFFICIAL JOURNAL
<b>B</b>	<b>SIDMAR</b> (C 37/01)	<b>0,263 (p)</b>	grant	environment	partially negat (20.12)	not yet publ.
	<b>SIDMAR</b> (N 360/01)	<b>0,353 (n)</b>	grant	R&D	no objections (18.7)	not yet publ.
	<b>Duferco Belgium</b> (NN121/00)	<i>15,6</i>	shareholding	investment	no aid (25.7)	C 268, 22.9.01
		<i>24,3</i>	loan			
<b>D</b>	<b>GMH</b> (C43/00)	<i>1,28 per year</i>	service fee	management contract	no aid (28.11)	not yet publ.
	<b>Gröditz</b> (C 33/01)	<i>30,2</i>	assets price	asset sales	no aid (20.12)	not yet publ.
	<b>EKO-Stahl</b> (C12/01)	<b>0,399</b>	grant	R&D	negative (28.11)	not yet publ.
	<b>BREMA Warmwalzwerk</b> (C 34/00)	<b>0,623</b>	grant	environment	negative (28.3)	not yet publ.
	<b>Stahlwerke Bremen</b> (N 118/01)	<b>0,29</b>	grant	R&D	no objections (20.6)	C 244, 1.9.01
	<b>Stahlwerke Bremen</b> (C40/01)	<b>n.a.</b>	grant	R&D	withdrawl notif. (2.10)	n.a.
<b>E</b>	<b>Ten Basque comp.</b> (NN77/00)	<b>0,535</b>	grants	R&D	open procedure (28.3)	C 185, 30.6.01
	<b>Seven Basque comp.</b> (NN78/00)	<b>0,239</b>	grant	environment	no objections (6.6)	C 211, 28.7.01
	<b>Siderurgica Anon</b> (NN71/01)	<b>n.a.</b>	shareholding loan guarantee	investment	open procedure (20.12)	C 33, 6.2.02
<b>F</b>	<b>tax credits foreign investments</b> (C61/00)	<b>n.a.</b>	tax exemption	foreign invest.	negative (21.11)	not yet publ.
<b>I</b>	<b>Ferriere Nord</b> (C35/99)	<b>n.a.</b>	grant	environment	withdrawl notif. (28.3)	L 310, 28.11.01
	<b>ILVA</b> (C 19/99)	<b>n.a.</b>	grant	environment	withdrawl notif. (28.3)	not yet publ.
	<b>Cogne</b> (N434/00)	<b>2,6</b>	grant	R&D	no objections (31.01)	C 133, 5.5.01
	<b>Lucchini</b> (N613/01)	<b>2,55</b>	soft loans	R&D	open procedure (13.2)	C166, 9.6.01
<b>A</b>	<b>Voest Alpine Linz</b> (C24/2000)	<b>1,625</b>	grant	environment	positive decision (25.4)	L235,4.9.01
	<b>Voest Alpine Linz</b> (N 258/01)	<b>0,024</b>	grant	environment	no objections (2.10)	C333, 28.11.01
	<b>Böhler Edelstahl</b> (N 257/01)	<b>0,349</b>	grant	environment	no objections (20.6)	C 226, 11.8.01
	<b>V.A. Donawitz</b> (N 77/00)	<b>2,649</b>	grant	environment	no objections (3.7)	C 318, 13.11.01
<b>NL</b>	<b>Corus Tecnnology</b> (N220/01)	<b>0,467</b>	grant	R&D	no objections (25.7)	C318,13.11.01
	<b>Corus Tecnnology</b> (N533/01)	<b>0,167</b>	grant	R&D	no objections (17.10)	C 347,8.12.01
<b>UK</b>	<b>Climate change levy</b> (C19/01)	<b>n.a.</b>	tax reduction	environment	partially open procedure (28.3)	C191,7.7.01

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