SEA Europe Response to EC Consultation:

Draft framework for State aid for research, development and innovation

Brussels, 17 February
Preamble

The purpose of this paper is for the European Ships and Maritime Equipment Association (SEA Europe) to present on behalf of the shipbuilding community a common position in relation to the ongoing revision of the EU Framework for state aid for research, development and innovation (RDI Framework).

1. Overall Perception of the Draft RDI Framework

The members of SEA Europe are optimistic that the proposed text of the RDI Framework could serve as a suitable basis for the continuation of innovation aid to shipbuilding as currently is the case under the state aid framework to shipbuilding (2011/C 364/06 - expiry June 2014).

2. Comments Related to the Draft RDI Framework

2.1. Footnote ‘6’ (- Eligible Costs)

The footnote ‘6’ making specific reference to shipbuilding is mostly adequate given that it continues the significant definitions of shipbuilding innovation for both products and processes and specifically highlights the aid category / intensities for experimental development.

However one aspect which is considered weak in the footnote as it is being proposed is a reference with relation to the continuation of the eligible costs definition which are currently being used for the notification procedure for innovation aid to shipbuilding.

SEA Europe believes that the footnote ‘6’ could be strengthened by making the following insertion:

“Following the expiry of the Framework on state aid to shipbuilding (OJ 364, 14.12.2011, P.9), aid for eligible costs of innovation for shipbuilding, ship repair or ship conversion may continue to be granted...”

This insertion would clearly demonstrate that eligible cost definitions of the shipbuilding framework will continue to be applicable as with the other provisions in the RDI Framework.
2.2. Footnote '6' (-Aid Category)

The footnote ‘6’ has successfully linked product and process innovation in shipbuilding to the category to ‘experimental development’, which is adequately defined.

2.3. Removal of Matching Clause

Under the current RDI Framework (2006/C 323/01) provisions are made under Article 5.1.7 for a matching clause, stating:

“In order to address actual or potential direct or indirect distortions of international trade, higher intensities than generally permissible under this section may be authorised if – directly or indirectly – competitors outside the Community have received (in the last three years) or are going to receive, aid of an equivalent intensity for similar projects, programmes, research, development or technology”.

In the face of global competition mechanisms that will ensure a level playing field when addressing research, development and innovation should be maintained. This is seen as a real benefit for an industry which sees its competitors use distortive support measures often linked to domestic production or increasing capacity in shipbuilding.

SEA Europe believes that maintaining this clause in the revised RDI Framework will enable Europe to keep a level playing field with third-country competitors in the realm of RDI.

In the event of the Commission having carried out the verification of the compatibility of the matching clause with WTO law, as mentioned in point 6.3.4 of the Issues paper of 12/12/2012\(^1\), and concluding ruling out the

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\(^1\) Whilst in view of the above it would at first seem suitable to maintain the current provisions, it has to be noted in this context that the matching clause as such may well conflict with WTO law and be incompatible with the EU’s obligations under Article 32.1 of the Agreement on Subsidies and Countervailing Measures, in particular since the expiry of it’s a article 8.2 that defined certain types of assistance for R&D activities as non-actionable subsidies. For this reason, the possibility of maintaining the clause should in principle be subject to a proper verification of its compatibility with WTO law.
possibility to maintain it, SEA Europe asks the Commission to share this important analysis.
Background Note

SEA Europe:

SEA Europe is replying to the consultation as a European industry organisation.

SEA Europe brings together CESA and EMEC and represents an industry which generates more than €85 billion turnover annually and offers employment in high profile jobs for more than 500,000 Europeans. The association represents close to 100% of the European shipbuilding industry in 18 nations, encompassing the production, maintenance, repair and conversion of all types of ships and floating structures, commercial as well as naval including the full supply chain with the various producers of maritime systems, equipment material, and services.

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