



EUROPEAN COMMISSION

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PUBLIC VERSION

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**Subject: State aid SA.37380 (2013/N) – Denmark  
Aid to Waste Management – Shredder Scheme**

Sir,

## **1 PROCEDURE**

1. By electronic notification dated 20 September 2013 the Danish authorities notified the above mentioned measure in accordance with Article 108(3) of the Treaty on the Functioning of the European Union ("TFEU"). The Commission requested additional information on 15 November 2013 and 3 February 2014. The Danish authorities replied on 09 January and 3 March 2014. A meeting was organised with the Danish authorities on 28 March 2014. The Danish authorities provided additional information on 4 April 2014.

## **2 DESCRIPTION OF THE MEASURE**

### ***2.1 Background and objectives of the notified project***

2. The aims of the project are to reduce the amount of shredder waste, which is considered hazardous waste, that is sent to Danish landfill sites and, in order to reach this objective, to incentivise the shredder industry to invest in innovative ways to use existing technologies and innovative technologies that go beyond state of the art technologies.

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3. Companies involved in the shredding industry shred and sort major electronic waste, ferrous scrap from the municipal waste stations, and complex metal scrap such as scrapped vehicles, washing machines and other metal-containing products.
4. The Danish authorities explained that the shredder industry has changed over recent years as cars now being sent for scrap contain new materials and more electronic components connected with plastic wrapped copper wire.
5. The technology required to separate lighter metals and non-magnetic materials from shredder waste does not yet exist, according to a 2011 Feasibility study into methods of processing shredder waste, financed by the Danish Environmental Protection Agency. The study concluded that in many areas the international development of treatment technologies for shredder waste has stagnated in the last 10 years. Several thermal technologies have either disappeared or the development of new technologies has stopped without having reached a commercial stage.
6. The Danish authorities state that the implementation of the notified scheme will lead to a reduction in the amount of shredder waste being sent to landfill sites. They estimate that 50% of the shredding waste that today goes to landfill sites could be reutilised or recycled with the introduction of new technologies. The notified scheme is expected to provide the following positive outcomes:
  - Improvement of the environment by the reduction of waste being sent to landfill sites;
  - An increase in the amount of recycling that takes place in Denmark particularly due to the reutilization of valuable metals and plastics contained in shredder waste. The innovative techniques will allow for non-magnetic materials such as plastic, sand, glass, rubber, wood and non-magnetic metals to be recovered. At the moment only about 20% of non-magnetic material shredder scrap – or 5% of the total amount of non-magnetic material that a shredder plant receives – is being recovered.
  - There is a possibility that the technologies developed with grants from the notified scheme could in the longer term also make it profitable to start re-mining some of the shredder waste that has been already landfilled during the years, hence leading to further environmental improvements.

## **2.2 Legal basis**

7. The national legal basis indicated by Denmark is The Business Promotion Act 2010.
8. The Danish Business Authority is responsible for administering the scheme.
9. The Danish authorities informed the Commission that the operation of the scheme will be based upon the requirements of the Community Guidelines on State aid for environmental protection ("the Guidelines")<sup>1</sup>.
10. The requirements to be fulfilled by applicants for obtaining grants from the scheme and the relevant criteria (points 126-131 of the Guidelines) will be directly implemented in the draft administrative *Order on grants under the shredding industry fund* (Bekendtgørelse om støtte fra pulje maaltretet shredderbranchen) governing the scheme.

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<sup>1</sup> OJ C 82, 1.4.2008, p. 1.

### 2.3 Form of aid

11. The aid will take the form of direct grants to successful applicants selected based on an open selection process.

### 2.4 The beneficiary

12. The beneficiaries of the measure are the companies involved in the Danish shredder industry. They are awarded a grant following an open application round in which all companies involved in the shredder industry in Denmark can apply for aid. The successful applicants will be selected on the criteria set out in the award of grants section of the draft Order on grants under the shredding industry fund.

### 2.5 Budget, investment costs and aid intensity

13. The scheme will be applied from the date it is approved by the Commission until 31 December 2015. The total budget is 60 million DKK (approximately EUR 8 million<sup>2</sup>); the Danish authorities will contribute 30 million DKK (approximately EUR 4 million). The remaining 30 million DKK (approximately EUR 4 million) is invested by the beneficiaries. Denmark indicated that they plan to grant 15 million DKK in 2014 and 15 million DKK in 2015.
14. Only project costs that are actually entered into, approved and paid are eligible for grants.
15. The maximum aid intensity is 50%.
16. The Danish authorities provided the Commission with tables setting out a model on how the eligible costs will be calculated. The tables are an illustration of how the Danish authorities will calculate the amount of aid paid to avoid overcompensation in the case of a reference scenario investment. The methodology is based on the relevant points in the Guidelines. The numbers in the tables are illustrative numbers only, based on an example provided by Denmark. The Danish authorities confirmed that this calculation method will be used when making individual grants once the scheme is approved.

Table 1: Illustrative calculations (Million DKK)

Proposed project	NPV	Year 1	Year 2	Year 3	Year 4	Year 5
Capital cost (investment)		-8.0	-8.0	-8.0	-8.0	-8.0
Operational cost		-6.5	-10.0	-12.6	-14.7	-14.7
Operational benefits		4.0	11.0	16.0	21.0	24.0
Operational benefits from increased sorting of non-magnetic shredder waste		1.0	3.0	5.0	7.0	8.0
	<b>-1.80</b>	-9.5	-4.0	0.4	5.3	9.3

<sup>2</sup> Based on an exchange rate of 1 EUR = 7.4566 DKK on 29 April 2014.

<b>Reference scenario</b>	<b>NPV</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Capital cost (investment)		-2.0	-2.0	-2.0	-2.0	-2.0
Operational cost		-3.9	-6.0	-7.0	-8.0	-8.0
Operational benefits		4.0	11.0	16.0	21.0	24.0
Operational benefits from increased sorting of non-magnetic shredder waste		0.0	0.0	0.0	0.0	0.0
	<b>25.91</b>	-1.9	3.0	7.0	11.0	14.0

<b>Eligible cost</b>		Year 1	Year 2	Year 3	Year 4	Year 5
Capital cost (investment)		-6.	-6.	-6.	-6	-6.
Operational cost		-2.	-4.	-6.	-7	7
Operational benefits		0.	0.	0.	0.	0.
Operational benefits from increased sorting of non-magnetic shredder waste		1.	3.	5.	7.	8.
Total eligible cost		-7.	-7.	-7.	-6.	-5
Aid amount (50% of the total eligible costs)		3.50	3.50	3.50	3.00	2.50

<b>Proposed project with support</b>	<b>NPV</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Capital cost (investment)		-8.00	-8.00	-8.00	-8.00	-8.00
Operational cost		-6.48	-10.00	-12.60	-14.70	-14.70
Operational benefits		4.00	11.00	16.00	21.00	24.00
Operational benefits from increased sorting of non-magnetic shredder waste		1.00	3.00	5.00	7.00	8.00
Aid amount		3.50	3.50	3.50	3.00	2.50
	<b>12.16</b>	-5.98	-0.50	3.90	8.30	11.80

Source: Danish authorities

\* The figures in columns year 1 to year 5 are undiscounted. The NPV (net present value) column is discounted by 8%.

### 3 ASSESSMENT

#### 3.1 Existence of State aid

17. According to Article 107(1) of the *TFEU*, the qualification of a measure as State aid requires the following conditions to be met cumulatively:
  - a) the measure must be financed through State resources;
  - b) it must grant a selective advantage liable to favour certain undertakings or the production of certain goods;
  - c) the measure must distort or threaten to distort competition;
  - d) it must have the potential to affect trade between Member States.
18. The notified measure is funded from the state budget.
19. Grants are awarded to successful applicants who fulfil certain eligibility and selection criteria. They therefore provide these companies with a selective advantage.

20. As the shredding industry operates throughout Europe and is open to competition, any advantage from State resources to individual beneficiaries has the potential to affect intra-Union trade and distort competition.
21. The Commission therefore considers that the notified measure constitutes State aid within the meaning of Article 107(1) TFEU.

### ***3.2 Legality of the measure***

22. The Danish authorities confirmed that the scheme will not be implemented before its approval by the Commission, and potential beneficiaries can only apply for grants after the scheme has been implemented. Therefore Denmark has fulfilled its obligation according to Article 108(3) TFEU by notifying the aid measure before the granting of the aid.

### ***3.3 Compatibility of the aid pursuant to Article 107(3) (c) TFEU***

23. The Commission has assessed the compatibility of the aid measure with the internal market pursuant to Article 107 (3) (c) TFEU and section 3.1.9 "Aid for waste management" of the Guidelines.
24. Firstly, in line with point 126 of the Guidelines, the notified measure complies with Article 4 of Directive 2008/98/EC of 19 November 2008 on waste and repealing certain Directives<sup>3</sup>. Article 4 sets out a "waste hierarchy" and encourages Member States to choose the options that deliver the best environmental outcome by applying a priority order in waste prevention and management. This measure seeks to move up to 50% of the shredder waste from category e) of the waste hierarchy (disposal - landfill) into categories c) (recycling) and d) (other recovery, e.g. energy recovery) which provide better environmental outcomes.
25. The aid will be used to reduce pollution generated by other polluters and does not extend to pollution generated by the beneficiary of this aid. The aid does not relieve directly or indirectly the polluters from any obligations that would be considered a normal company cost for the polluters. The aid is to assist the Danish shredding industry to develop better ways of disposing of the waste and reduce the amount of waste being sent to landfill sites. It is therefore in accordance with point 127 (b) of the Guidelines.
26. Under the scheme it will be possible for the shredder industry to develop in line with point 127 (c) of the Guidelines new state of the art techniques or technologies and the use of conventional technologies in an innovative manner to improve the way the scrap is sorted so that in particular more non-magnetic materials can be removed from the waste and the amount of shredder waste being sent to landfill sites is reduced by up to 50%.
27. The evaluation of individual applications will be made by independent technical experts and only applications presenting projects that go beyond the present state of the art or make innovative use of current technologies not available in the market today will be selected.
28. Denmark confirmed that aid will not be granted for projects that do not have a clear and explicit aim to reduce the shredder waste for landfilling considerably below 20% of the

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<sup>3</sup> OJ L 312 of 22.11.2008, p. 3.

total shredder materials (20% being the present amount of shredder waste being landfilled). The Commission notes that Denmark submitted documents demonstrating that the international development of treatment technologies for shredder waste has stagnated during the recent years and the aid is aimed at unblocking this evolution by incentivising the shredder industry to invest in the development of new technologies. The use of new technologies that go beyond the state of the art and/or of innovative techniques will increase the amount of material that can be recycled, in accordance with point 127 (c) of the Guidelines.

29. As the scheme is designed to reduce the amount of waste being sent to Danish landfills by 50% and make more material available for recycling the scheme complies with point 127 (d) of the Guidelines as the materials treated would otherwise be disposed of or treated in a less environmentally friendly manner, i.e. by disposal/landfill.
30. The scheme is unlikely to have any effect on the amount of waste being sent to the shredding industry for disposal by the polluters. It will however increase the possibilities of sorting the shredder waste and improve the collection of material available for recycling. Therefore it complies with point 127 (e) of the Guidelines.
31. The Danish authorities state that without state support as an incentive the shredder industry in Denmark would not invest in new technologies or innovative ways to use the existing technologies, as the economic incentive for taking out more of the lighter metals and other non-magnetic materials of the shredder waste is low.
32. Without the aid the NPV would be negative. With the aid being granted the NPV becomes positive. Against this background, the Commission agrees that the notified scheme has an incentive effect, as it is expected to incentivise shredding companies to invest in technologies they would not otherwise be willing to invest in given the negative NPV in the absence of aid.
33. The aid intensity of the grants does not exceed 50% of the eligible investment costs, in accordance with point 128 of the Guidelines. In addition, to obtain a grant the beneficiary must apply for the grant and be selected in a competitive bidding procedure on the basis of specified criteria in accordance with point 32 of the Guidelines.
34. The Danish authorities have confirmed that eligible investment costs are limited to the extra investment costs necessary to realise an investment leading to waste management and borne by the beneficiary compared to the reference investment.
35. The Commission notes that in the example provided by Denmark the eligible costs have been calculated in line with the methodology set out in the Guidelines, being limited to the extra investment costs necessary for the selected projects and borne by the beneficiary of the aid, compared to the reference investment. The eligible costs are calculated net of any operating benefits and costs arising during the first five years of the investment. The Commission considers therefore that points 130 and 131 of the Guidelines are complied with.
36. Section 3.5 of the 2014-2020 Guidelines on State aid for environmental protection and energy<sup>4</sup> sets out the conditions that waste management schemes should comply with. The Commission notes that the new rules are similar to the present conditions and that this scheme also complies with the conditions set out in the new Guidelines.

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<sup>4</sup> Adopted in principle on 9 April 2014, published for information purposes only at [http://ec.europa.eu/competition/sectors/energy/eeag\\_en.pdf](http://ec.europa.eu/competition/sectors/energy/eeag_en.pdf).

#### 4 CONCLUSION

37. In light of the above, the Commission considers that the notified measure is compatible with the internal market in accordance with Article 107(3)(c) TFEU.
38. The Commission reminds the Danish authorities that, in accordance with Article 108 (3) TFEU, any plans to refinance, alter or change this aid have to be notified to the Commission pursuant to the provisions of the Commission Regulation (EC) 794/2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty (now Article 108 TFEU)<sup>5</sup>.

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European Commission  
Directorate-General for Competition  
State Aid Registry  
B-1049 BRUSSELS  
Belgium

For the Commission

*Joaquin ALMUNIA*  
Vice-President

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<sup>5</sup> OJ L 140, 30.4.2004, p 1.

INFORMATION FROM EUROPEAN UNION INSTITUTIONS AND BODIES

Factsheet for publication in the OJ, C series

Authorisation for State aid pursuant to Articles 107 and 108 TFEU

Cases where the Commission raises no objections

Text with EEA relevance

Date of adoption of the decision	
Aid number	SA.37380 (2013/N)
Member State	Denmark
Region	
Title (and/or name of the beneficiary)	Aid to waste management - Shredder Scheme
Legal basis	The Business Promotion Act and Administrative Act on Shredder Support Scheme
Type of measure	Scheme
Objective	Environmental protection
Form of aid	Direct grant
Budget	Overall budget: DKK 30 (in millions) Annual budget: DKK 30 (in millions)
Intensity	50 %
Duration (period)	until 31.12.2015
Economic sectors	Waste collection, treatment and disposal activities; materials recovery
Name and address of the granting authority	Danish Business Authority Langelinie Alle 17, 2100 København Ø
Other information	-

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:  
<http://ec.europa.eu/competition/elojade/isef/index.cfm>.