Subject: State aid case SA.44547 – Italy – LIP - Aid to STMicroelectronics S.r.l. (M9)

Sir,

1. **PROCEDURE**

   (1) By electronic notification registered on 11 February 2016, the Italian authorities notified to the Commission regional aid in favour of ST Microelectronics s.r.l., subject to Commission approval.

   (2) By letters of 21 March and 10 June 2016 the Commission requested supplementary information which was submitted by letters registered at the Commission on 19 April and 3 August 2016. On 4 July 2016, a meeting between the Commission services and the Italian authorities took place, in which the case was further discussed.

2. **DETAILED DESCRIPTION OF THE AID MEASURE**

2.1. **Objective of the aid measure**

   (3) The Italian authorities intend to promote regional development by providing regional aid for an initial investment to increase the production capacity of...
ST Microelectronics' 200mm semiconductors line in Catania. Catania is situated in Sicily, a region eligible for regional aid under Art. 107(3)(a) TFEU, with a standard regional aid ceiling of 25% under the Italian regional aid map for the period from July 2014 to 2020 (hereinafter "Regional Aid Map")\(^1\). The aided investment project is expected to save 622 jobs in ST Microelectronics' establishment in Catania.

2.2. The beneficiary

(4) The recipient of the aid is ST Microelectronics s.r.l. (hereinafter "STM"), which is part of the international group entirely controlled by ST Microelectronics N.V. ST Microelectronics N.V.'s capital is publicly held by 70%, for which shares are traded on New York Stock Exchange, Euronext Paris and Borsa Italiana, while 27.5% is owned by ST Microelectronics Holding N.V. This Holding is owned by 50% by the Italian Ministry of Economy and Finance, and by 50% by the French financial company FT1CI. ST Microelectronics N.V. has more than 43,200 employees and is active in at least 35 countries\(^2\).

(5) The Italian authorities confirm that STM is not a company in difficulty within the meaning of the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty\(^3\).

2.3. The investment project

2.3.1. The notified project

(6) The notified investment project (labelled "M9") concerns the extension of the capacity for the power semiconductors' production of 200mm (8") wafers and of the production mix of STM's plant in Catania, with a planned production capacity of \([10,000-20,000]\) wafers per week. The investment involves the purchase of machineries, as well as the extension of Clean Rooms for the 200mm production, compatible also with a 300mm production, in the existing M9 building and in the second floor of the M5ext building. Overall, STM plans an increase of the production areas by \([\ldots]\) m\(^2\).

(7) This new investment would allow STM to close its current 150mm (6") production in Catania\(^4\), bound to be transferred to the group's production site in Singapore. In the medium/long term, thanks to technological and product R&D, new devices/systems based on innovative silicium and composite materials will be integrated in the production. The objective is to focus on an innovative


\(^{2}\) Information available on the beneficiary's website: [http://www.st.com/content/st_com/en/about/st_company_information/who-we-are.html](http://www.st.com/content/st_com/en/about/st_company_information/who-we-are.html)

\(^{3}\) OJ C 249, 31.7.2014, p. 1

\(^{4}\) As also explained at page 22 of the "Annual Report" filed by ST Microelectronics N.V. with the U.S. Securities and Exchange Commission on 16 March 2016 – as the company's shares are traded on New York Stock Exchange published on the web site: [http://investors.st.com](http://investors.st.com)
production with a higher contribution margin, which can better resist the intense competition from Asia that benefits from cheaper labour force.

(8) Works on the investment project are planned to start after the adoption of the Commission decision on the notified aid; the implementation of the investment project is expected to take 33 months. Full production is expected to be reached within the first quarter after completion of the project.

2.3.2. **Eligible investment costs**

(9) The eligible investment costs for the M9 project amount to EUR 154.618 million in nominal value, which is EUR 153.285 million in present value. Table 1 below presents the breakdown of the eligible costs in both nominal and present value.

**Table 1: Breakdown of eligible investment costs for M9 (in million EUR)**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal value</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
</tr>
<tr>
<td>Present value</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
</tr>
<tr>
<td><strong>Machinery/Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal value</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
</tr>
<tr>
<td>Present value</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal value</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
<td>154.618</td>
</tr>
<tr>
<td>Present value</td>
<td>[…]*</td>
<td>[…]*</td>
<td>[…]*</td>
<td>153.285</td>
</tr>
</tbody>
</table>

(10) The Italian authorities confirm that all assets included in the eligible expenditure will be new. The total investment planned by STM for the M9 project amounts to EUR […]* and covers also used equipment and machineries, for which the expenditure is not included in the eligible costs as it is not eligible under the aid scheme (see below).

2.4. **Legal basis**

(11) The notified financial support constitutes an individually notifiable measure in the application of the aid scheme SA.41081 (2015/X) – Contratti di Sviluppo, which was put into effect under 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, hereinafter "GBER"). The national legal basis of the aid scheme is the

---

5 The present values in this decision are discounted to the year 2016 on the basis of the discounting rate of 1.09% applicable at the time of notification.

Decree of the Minister for Economic Development of 9 December 2014⁷, which entered into force on 30 January 2015⁸.

(12) On 3 July 2015 STM applied for the aid to Invitalia, the Agency in charge of managing aid scheme SA.41081 (2015/X) on behalf of the Italian Ministry for Economic Development. The aid application was presented by STM together with the University of Catania, as the proposed Industrial Development Programme covers the M9 investment project, as well as Research and Development (R&D) projects to be implemented with the local University.

### 2.5. Aid amount

(13) The notified aid in the form of a direct cash grant amounts to EUR 18.614 million in nominal value and EUR 18.363 million in present value.

Table 2: Aid amount (in million EUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash grant (nominal value)</td>
<td>⋯*</td>
<td>⋯*</td>
<td>⋯*</td>
<td>⋯*</td>
<td>18.614</td>
</tr>
<tr>
<td>Cash grant (present value)</td>
<td>⋯*</td>
<td>⋯*</td>
<td>⋯*</td>
<td>⋯*</td>
<td>18.363</td>
</tr>
</tbody>
</table>

### 2.6. Aid intensity and cumulation with another previous investment aid

(14) The envisaged aid of EUR 18.363 million for eligible expenditure of EUR 153.285 million (in present value) corresponds to an aid intensity of 11.98%. The Italian authorities declare that this financial support for the project will not be combined with any other financial support for the same eligible costs from any other local, regional, national or European Union source.

(15) STM previously started in the same site of Catania another investment project, labelled "CdS0321", for which STM applied for regional aid in August 2013. The aid was granted by the Italian authorities on 22 June 2014 under the existing regional aid scheme SA.33349 (2011/X) Contratti di sviluppo⁹, a block exempted regional aid scheme under Commission Regulation (EC) No 800/2008¹⁰ and the Regional Aid Map for Italy 2007-2013¹¹. This previous project had the objective of upgrading a specific production process based on ⋯* in another module (M3) in Catania and was completed by 31 December 2015.

---

⁷ Published on the Italian OJ (Gazzetta Ufficiale della Repubblica Italiana) n. 23 of 29.1.2015
⁹ The legal basis of SA.33349 (2011/X) was the Interministerial Decree, Decreto interministeriale 24 settembre 2010, published on the Italian OJ n. 300 of 24.12.2010. See also previous footnote.
The regional aid in favour of the investment project CdS0321 was not subject to individual notification obligations, as its amount was below the notification threshold provided for in Article 6(2) of Regulation No 800/2008. Nonetheless, for the purpose of calculating the maximum aid intensity in the meaning of point 20(m) of the Guidelines for Regional State aid for 2014-2020 ("RAG")\textsuperscript{12}, STM's two investments projects "CdS0321" and "M9" in Catania are to be considered a Single Investment Project ("SIP") in the meaning of point 20(t) of the same RAG.

Taking into account the aid granted to STM for its previous investment CdS0321\textsuperscript{13} the Italian authorities consider that, the total aid for the SIP amounts to the maximum allowable aid for the SIP's total eligible costs of EUR 183.081 million (in present value), applying the "adjusted aid amount" rule of point 20(c) of the RAG and the regional aid ceilings for Sicily, which are respectively 30% under the Guidelines for National Regional Aid for 2007-2013\textsuperscript{14} and 25% under the current RAG.

The Italian authorities confirm that neither the approved maximum aid amount in present value nor the approved aid intensity will be exceeded if the amount of eligible expenditure deviates from the estimated amount.

2.7. **Own contribution**

The aid beneficiary will contribute at least 25% to the financing of the investment, as required in Article 16(5) of the legal basis of aid scheme SA.41081 (2015/X), in line with point 38 of the RAG and Article 14(14) of the GBER.

2.8. **Maintenance of the investment in the assisted region**

The aid is granted under the condition that the beneficiary will maintain the investment in the assisted region for a minimum period of five years after the completion of the investment project in line with point 36 of the RAG and Article 14(5) of the GBER. The Italian authorities specify that failure to do so will result in the Italian authorities revoking the aid.

2.9. **Contribution to regional development (cohesion) objective**

The Italian authorities explain that the investment will contribute to the development of region Sicily for the following reasons:

a) The investment project would allow STM to maintain a strong manufacturing base in Catania, by investing in innovative and more complex technologies. Therefore, the aid would favour a project comparable to alternative investment opportunities considered by the beneficiary outside of Europe.

a) The investment would strengthen the position of Catania as an important cluster specialized in power electronics, thanks to the co-location of R&D and

\textsuperscript{12} OJ C 209, 23.7.2013, p. 1

\textsuperscript{13} I.e. 28.7% GGE of the project's eligible cost of EUR 30.245 million (in nominal value).

\textsuperscript{14} OJ C 54, 4.3.2006, p. 13
advanced manufacturing facilities. Italy recalls that in May 2013 the European Commission adopted a Communication for an electronics strategy\(^\text{15}\) aiming to maintain the EU at the leading edge in the design and manufacturing of micro- and nanoelectronics, "a Key Enabling Technology (KET) essential for growth and jobs in the EU".

b) Regarding the effect in terms of direct employment, the investment in the new 200mm line would allow to STM to keep in Catania 622 of the 709 jobs of the current 150mm line, which is bound to be transferred to Singapore. STM declared that with the M9 investment they would maintain all jobs in Catania, as also the remaining employees would be kept to support the planned R&D projects (see recital (12)).

c) The investment project is expected to have positive indirect occupational effects. Firstly, the completion of the Clean Rooms and the hook-up and fit-up of machineries is expected to require more than 730 operators from multiple suppliers, some of which are local, while others belong to multinational companies with a strong presence in the territory. Secondly, first-level suppliers of goods and services that are used in daily operations by the undertaking would see their own occupation increase to a 1:1 ratio, according to a study prepared by the University of Catania. Moreover, if the investment was to be undertaken in a location different from Catania, further 1,240 indirect jobs would be lost, apart of the 730 operators expected to be involved in the realization of the project.

d) The company intends also to launch, in the same location, an R&D program, whose investment is worth around EUR […]\(^*\) million. This program should allow the 200mm line to be competitive in the medium to long term, improving energy efficiency and saving. The opportunity of further future investments is strictly linked to the positive outcome of the research activity, which is conducted in partnership with the University of Catania and the National Research Council (Cnr)\(^\text{16}\).

2.10. Appropriateness

(22) Italy notes that the direct monetary aid given to the beneficiary for the M9 investment project amounts to 11.98% GGE in form of a cash grant. The only viable alternative in this context would have been to grant a soft loan, which would have resulted in a smaller GGE.

(23) The Italian authorities explain that only a direct cash grant allows the beneficiary to recover and requalify the M9 building and to complete the Clean Room, as required by the investment project, because its direct and more relevant impact on the production costs per unit. The aid in this form would allow to the beneficiary to increase the competitiveness of the Catania establishment when compared to the


\(^{16}\) The National Research Council (Cnr) is the largest public research institution in Italy. See website: https://www.cnr.it/en/about-us
alternative investment site in [site outside the EEA]*, as explained in the next section of this decision.

2.11. Incentive effect

(24) STM’s application for aid and the notification of the aid measure by the Italian authorities to the Commission took place before the start of works on the investment. In addition, during the assessment of the measure by the Commission, the location decision was pending as the beneficiary was waiting for a confirmation on whether the project would be eligible for regional aid.

2.11.1. Counterfactual scenario

(25) Italy explains that the alternative location of the investment project would be STM’s plant of [site outside the EEA]*. No alternative locations were considered by the aid beneficiary for this investment project.

(26) Italy states that the company's internal calculations demonstrate how [the site outside the EEA]* has a more competitive cost per unit than Catania, even with the aid. This is mostly due to the most advantageous labour costs in [the site outside the EEA]*. Moreover, STM's establishment in Sicily suffers from diseconomies due to territorial inefficiencies of Catania's industrial zone, as well as from the remoteness of the area with respect to the main sales markets.

(27) The company compared the economic feasibility of both locations, looking at the cash flows generated by the alternative investments. The same production estimates and technology mix were considered for both scenarios. The calculations and cost estimates for the two options were carried out at the same level of detail and accuracy, and the investment costs in material assets are assumed to be equal in both scenarios.

(28) In the [site outside the EEA]* scenario, the estimate for the recruitment and training expenses is higher. This is due to the need to recruit and train new employees to support greater production volumes. Moreover, this scenario entails a higher level of inducement costs in the Italian site, due to the need to put in place measures to accompany the reduction of the workforce in Catania.

(29) As noted, the main element of difference between the two sites is the cost of labour, which is much lower in [the site outside the EEA]*. In 2015, the average cost per employee was around […]* per year in [site outside the EEA]*, against […]* in Catania.

(30) The level of revenues resulting from the operation is independent from the location of the investment.

(31) In conclusion, the comparison submitted by the Italian authorities displays a difference, in terms of net present value (NPV) generated by the investment, of around EUR 75.6 million, in favour of the [site outside the EEA]* scenario. This cost disadvantage of locating the investment in Catania would be reduced by a possible state aid of around EUR 18.363 million.
However, the Italian authorities consider the figures presented by the STM for inducement costs as very conservative, and they declare that these figures are more likely to increase by the double, thus closing de facto the gap between the two scenarios.

Moreover, Italy explains that the closure could result in non-quantifiable damage in terms of image, as well as in terms of motivation and productivity of the remaining employees in Catania not directly involved in the downsizing. Italy believes that these elements contribute to the decision making process of the undertaking, though they have not been included by STM in its analysis based on the NPV comparison.

2.11.2. The decision making process

In general terms, the decision making process for strategic investments by ST Microelectronics N.V. (the parent company of STM) of the size of the notified project is entrusted to the Managing Board, under the supervision of the Supervisory Board. The Supervisory Board is responsible for supervising the policies and strategies chosen by the Managing Board, and has to preventively approve any sizeable investment project of the parent company and of any of the controlled companies. The Supervisory Board approved the notified investment in January 2016.

The Italian authorities explain that, in this case, the Managing Board presented to the Supervisory Board the investment and location proposal as formulated by the Corporate Finance division.

On 3 July 2015 STM applied for aid to the Italian authorities. The investment was authorized by the Supervisory Board of ST Microelectronics N.V. in January 2016.

In March 2016, STM received the permission of the parent company to start a first (minor) investment in Catania, amounting to EUR [1-3]* million, for preparatory construction works, while waiting for the outcome of the State aid notification. The modular approach of the investment and the limited size of the current investment allow the undertaking to review and repeal its decision.

2.12. Location effects

On 27 January 2016, ST Microelectronics presented a restructuring plan, announcing the closure of the Consumer Product Division (CPD) with a reduction of the workforce by 430 jobs in France, due to its decision to stop developing products for the set-top box and home gateway markets. In France, chips for set-top boxes and home gateways are produced in the company's location of Crolles 2.

17 It results from the document “Q415 Earnings Conference Call remarks”, that ST Microelectronics announced a global workforce re-alignment that may affect approximately 1,400 employees worldwide, of which about 430 in France through a voluntary departure plan. See its web site at: http://investors.st.com
Moreover, in 2014 ST Microelectronics closed another activity in Bristol, in the United Kingdom. The Italian authorities explain that Bristol was not a manufacturing plant of the aid beneficiary, but a R&D site focusing exclusively on the designing/projecting of products for set-top boxes and mobile devices.

Instead, Crolles 2 is indeed a manufacturing site, whose outputs fall (as all the group's products) under the same NACE code 26.11\(^\text{18}\), as also all production in Catania.

However, the production to be discontinued (chips for set-top box and home gateways), and the products of the new investment in Catania are technologically different. Moreover, also the missions of the two locations (Crolles 2 and Catania) differ substantially, therefore excluding any link between the closure and the notified new investment.

The Italian authorities explain that ST Microelectronics' decision to stop developing products for the set-top box and home gateway markets is due to systematic losses in that business. On the other hand, the demand for power semiconductors of the planned 200mm production line in Catania would be growing.

More in general, in terms of mission of the front-end facilities\(^\text{19}\), Crolles 2 is based on digital technologies (more specifically, "300mm research and development and manufacturing on advanced [...]") for [...]\(^*\), while the production site in Catania is specialized in power transistors, Smart Power and analog ICs, with applications in various different sectors, such as automotive, healthcare and energy. Differences between the types of products revolve, among others, around the minimum feature size and the wafer size (150mm and 200mm in Catania vs 300mm in Crolles 2). Moreover, the Italian authorities declare that no production site has been, or is planned to be closed in the EEA. ST Microelectronics has even recently announced new investments to increase the production of 300mm in Crolles 2.

Moreover, in order to rule out any link between the closures of Crolles 2 and Bristol and the new investment in Catania, Italy confirms that the aid beneficiary:

i) has not, and does not intend to, transfer to Catania any of the workforce affected by the closures of Crolles and Bristol;

ii) will not use staff of the closing down establishments to train staff in Catania;

iii) will not transfer to Catania machineries or other assets from Crolles or Bristol; and

---


iv) will not transfer to Catania any order for machineries and/or materials from Crolles or Bristol.

### 2.13. General provisions

(45) The Italian authorities undertake to:

- submit annual reports to the Commission, in line with Article 26 of EU Regulation 2015/1589 of the European Council;
- keep, for at least 10 years starting from the date of approval of the aid, detailed records, comprehensive of information and useful supporting documents to ensure compliance with the compatibility conditions and make it available to the Commission, at its written request, within 20 working days or within a longer period set out in the request.

### 3. ASSESSMENT OF THE AID MEASURE AND COMPATIBILITY

#### 3.1. Existence of aid

(46) The financial support will be given by the Italian authorities in the form of a direct cash grant. The support is thus given by a Member State and through State resources within the meaning of Article 107(1) TFEU.

(47) As the aid is granted to a single company, STM (part of the group STMicroelectronics N.V.), the measure is selective.

(48) The financial support given to STM will relieve the company from costs which it normally would have to bear itself, and therefore the company benefits of an economic advantage over its competitors.

(49) The measure is likely to affect trade between Member States as it applies to the semiconductors/microelectronics sector, for which trade between Member States exists.

(50) As the measure favours the production of STM, competition risks being distorted or is threatened to be distorted.

(51) Consequently, the Commission considers that the measure constitutes State aid within the meaning of Article 107(1) TFEU.

#### 3.2. Legality of the aid measure

(52) If the amount of regional investment aid to be granted exceeds the notification threshold laid down in Article 4(1)(a) of the GBER, the aid is not covered by the exemption provided for by the same GBER, and has to be notified individually to the Commission. In Sicily, the applicable notification threshold is EUR 18.75 million. The aid granted by Italy for the SIP of STM in Catania (see recitals (15)-(17) of this decision) exceeds this amount, and therefore the planned aid measure cannot be exempted from notification.
In addition, according to Article 13(d) of the GBER, the exemption shall not apply to individual regional investment aid to a beneficiary that has closed down the same or a similar activity in the European Economic Area (EEA) in the two years preceding its application for regional investment aid or which, at the time of the aid application, has concrete plans to close down such an activity within a period of up to two years after the initial investment, for which aid is requested, is completed in the area concerned.

Where the beneficiary closes down the same or a similar activity in another area in the EEA, as it appears to be the case for STM (see section 2.12 of this decision, concerning the closure of activities in Bristol and Crolles), paragraph 23 of the RAG provides that the individual aid remains subject to notification obligation pursuant to Article 108(3) of the Treaty. This would allow the Commission to assess - pursuant to paragraph 122 of the RAG - whether that activity has been, or will be, relocated to the target area and if there is a causal link between the aid and the relocation.

By notifying the awarding of the aid subject to Commission approval, the Italian authorities have respected their obligations under Article 108(3) TFEU.

The Commission takes note of Italy's declaration that the aid to STM will be granted only after the Commission's approval of the measure.

Having established that the notified measure constitutes State aid within the meaning of Article 107(1) TFEU and that it is subject to Commission approval, it is necessary to examine whether the investment project is eligible for aid and whether the measure can be found compatible with the internal market.

As the objective of the measure is to promote regional development in an area designated in accordance with Article 107(3)(a) TFEU, and the aid is granted in the period between 1 July 2014 and 31 December 2020, the legal basis for its assessment are the RAG.

In line with the provisions of the RAG, the Commission will first establish whether the notified investment project is eligible for regional aid. The Commission will then verify the compatibility of the notified aid in application of the Common Assessment Principles laid down in the RAG.

### 3.3. Eligibility of the notified project

Italy intends to grant aid to an initial investment in the form of a capacity extension of the existing establishment of STM in Catania, an area eligible for regional aid pursuant to Article 107(3)(a) TFEU, as from the Italian regional aid map for the period from July 2014 to 2020 (see recital (3) of this decision).

STM's capacity extension of the establishment in Catania constitutes an initial investment in the meaning of the RAG. In fact, an initial investment is defined in paragraph 20(h) RAG as an investment in tangible and intangible assets related to (i) the setting-up of a new establishment, (ii) the extension of the capacity of an existing establishment, (iii) the diversification of the output of an establishment.
into products not previously produced in the establishment, or (iv) a fundamental change in the overall production process of an existing establishment. Therefore, according to paragraph 20(e) of the RAG, and within the limits defined in this paragraph, also the costs for new assets for STM's investment in Catania (see section 2.3.2 of this decision) are in principle eligible for regional aid.\(^{(20)}\)

(62) In conclusion, as the notified investment project qualifies as an initial investment in the meaning of RAG, the Commission considers that it is eligible for regional aid, provided that all compatibility criteria of the RAG are met.

### 3.4. Compatibility of the aid measure

(63) The Commission Communication on State aid modernisation of 8 May 2012\(^{(21)}\) called for the identification and definition of common principles applicable to the assessment of the compatibility of all aid measures. In their section 3, the RAG define and operationalize these Common Assessment Principles ("CAP") for the purposes of regional aid.

(64) The assessment under the CAP of the RAG takes place in three steps:

- in a first step, it is checked whether **minimum requirements** regarding the credibility of the counterfactual scenario, appropriateness, incentive effect, and proportionality of the aid and its contribution to regional development are met (see RAG, sections 3.2 to 3.6);

- in the second step, it is verified, that the aid does not lead to **manifest negative effects** that would prohibit the granting of aid, e.g. aid exceeding the allowable maximum aid intensity ceiling for the region concerned by the investment, creating overcapacity in a sector in absolute decline, attracting an investment that would have gone without the aid to another region with a similar or worse off socio-economic situation, or causal for the closure of activities elsewhere in the EEA (see RAG, section 3.7.2);

- in the third step, for not blacklisted aid projects meeting the minimum requirements, a **balancing** test is carried out to ensure that the contribution to regional development outweighs the negative effects on trade and competition (see RAG, sections 3.7.1 and 3.7.4).

#### 3.4.1. Minimum requirements

**3.4.1.1. Contribution to regional objective and need for State intervention**

(65) The RAG require the Member State to prove the real and sustained contribution of the aided investment to the regional development of the target region. Section

\(^{(20)}\) Pursuant to paragraph 20(e) of the RAG eligible costs means, for the purpose of investment aid, tangible and intangible assets related to an initial investment, or wage costs.

\(^{(21)}\) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions on EU State Aid Modernisation (SAM), COM/2012/0209 final
3.2.2. of the RAG lists a number of indicators that Member States may use in order to demonstrate the regional contribution of individual investment aid notified to the Commission. Moreover, the viability of the project has to be demonstrated by a financial contribution of the aid beneficiary of at least 25% of the eligible costs\textsuperscript{22}, provided through its own resources or by external financing, in a form that is free of any public financial support. In addition, the investment (the aided assets) has to be maintained in the area concerned for a minimum period of five years (three years for SMEs) after its completion\textsuperscript{23}.

(66) Sicily is a NUTS 2 region eligible for regional aid pursuant to Article 107(3)(a) TFEU. The Commission takes note of the investment's positive regional effects, as presented by the Italian authorities (see recital (21) of this decision) and considers that in particular the preservation effect on direct jobs and the creation of indirect jobs, the additional R&D investments planned and the strengthening of the position of Catania as an important cluster in the power electronics sector represent a significant contribution to the development of the region and to the achievement of EU cohesion objectives.

(67) The Commission notes that the beneficiary will contribute at least 25% of the eligible costs, and has to maintain the investment for a minimum period of five years after completion of the project in the area concerned (see recitals (19) and (20) of this decision).

3.4.1.2. Appropriateness of regional aid/the aid instrument

(68) According to paragraph 50 of the RAG, the notified aid measure must be an appropriate policy instrument to address the policy objective concerned, and underlines that an aid measure will not be considered compatible if other less distortive policy instruments or other less distortive types of aid instruments are available. Section 3.4 of the RAG therefore introduces a double appropriateness test. Under the first appropriateness test, Member States have to identify the bottlenecks to regional development and the specific handicaps of firms operating in the target region, and to clarify to what extent bottlenecks to regional development could also successfully be targeted by non-aid measures. Under the second appropriateness test, the Member State has to indicate why – in view of the individual merits of the case - the chosen form of aid is the best instrument to influence the investment or location decision.

(69) The Italian authorities based their explanation (see recital (26) of this decision) for appropriateness of the aid instrument on the disadvantaged economic situation in Sicily, namely the diseconomies due to territorial inefficiencies of the industrial zone of Catania, and the remoteness of the area with respect to the main sales market.

(70) The Commission notes that the disadvantage of Sicily in general, and of the Catania area in particular, is confirmed by its status as a region eligible for

\textsuperscript{22} See paragraph 38 of the RAG
\textsuperscript{23} See paragraph 36 of the RAG
regional aid in accordance with Article 107(3)(a) TFEU. The Commission notes also that Sicily already benefitted in the past of a multitude of aid measures, but that these have proven insufficient to address the regional handicaps of such a peripheral area. The Commission therefore accepts that State aid, and regional investment aid in particular, is an appropriate form of support to achieve the cohesion objective for the area concerned.

(71) The aid is granted in the form of a direct grant. The Commission considers that a direct cash grant constitutes an appropriate aid instrument to achieve the desired objective as this form of aid provides the necessary amount to bridge the viability gap between the alternative locations of Catania and [the site outside the EEA]*. (See section 2.11.1 of this decision)

3.4.1.3. Incentive effect

(72) According to section 3.5 of the RAG, regional aid can only be found compatible with the internal market if it has an incentive effect. An incentive effect is present when the aid changes the behaviour of an undertaking in a way that it engages in an additional activity contributing to the development of an area where it would not have engaged in without the aid or would only have engaged in such activity in a restricted or different manner, or in another location. The aid should not subsidise costs that an undertaking would have incurred in any event and must not compensate for the normal business risk of an economic activity.

(73) Paragraphs 64-65 of the RAG set out the formal incentive effect requirements, i.e. works on an individual investment can start only after submitting the application form for aid. As the beneficiary applied for aid on 3 July 2015, i.e. before start of works on the investment, this condition has been respected (see also recital (12) of this decision).

(74) Paragraph 61 of the RAG stipulates that the substantive incentive effect can be proven in two possible scenarios: in the absence of aid either the investment would be not sufficiently profitable (scenario 1); or the investment would take place in another location (scenario 2).

(75) As there are many valid reasons for a company to locate its investment in a certain region, even without any aid being granted, the RAG require the Commission to verify in detail whether the aid is necessary to provide a substantive incentive effect for the investment. In this context – as set out in section 3.5.2 of the RAG – the Member State is also required to provide a comprehensive description of the counterfactual scenario in which no aid would be granted to the beneficiary. The Commission has to verify that these scenarios are realistic and credible. According to paragraph 68 of the RAG, a counterfactual scenario is credible if it is genuine and relates to the decision-making factors prevalent at the time of the decision.

(76) Paragraph 69 of the RAG requires the Member State to demonstrate to the Commission the existence of the incentive effect of the aid and to provide clear evidence that the aid effectively had an impact on the investment choice or the location choice. Thus, it places the burden of proof regarding the existence of an incentive effect on the Member State.
Paragraph 71 of the RAG indicates that for scenario 2 – scenario invoked by Italy and by the aid beneficiary STM in the present case (see section 2.11.1 of this decision) - the Member State could provide the required proof of the incentive effect of the aid by providing company documents that show that a comparison has been made between the costs and benefits of locating the investment in the selected assisted region with alternative locations. For that purpose, paragraph 72 of the RAG invites the Member State to rely on official board documents, risk assessments, financial reports, internal business plans, expert opinions, other studies and documents that elaborate on various investment scenarios.

To verify the viability in scenario 2, all relevant costs and revenues\(^{24}\) have to be taken into account, with the exception of possible subsidies available in the alternative location, where this alternative location is in the EEA.

The Commission notes that the Italian authorities submitted the required information in the form of comprehensive, contemporary and genuine evidence documenting the decision-making process of the aid beneficiary concerning the investment and location decision. The provided documents confirm that the investment decision into the product range concerned (but not the location decision) had been already taken, and that the counterfactual situation described as scenario 2 applies. The documents explain the counterfactual scenario involves two locations: [the site outside the EEA]* and Catania in Sicily\(^{25}\).

The two locations presented in the counterfactual scenario involve two existing production sites of STM, albeit with different infrastructures and characteristics. While Catania is located in an assisted region of the EU (with a 25% maximum aid intensity ceiling for large undertakings, see recital (3) of this decision), [the site outside the EEA]* is outside of the EEA.

The calculations and cost estimates for the two options were carried out at the same level of accuracy and are based on the same types of cost items and characteristics of the investment project (see recital (27) of this decision). Details of these cost calculations for both investment and operating costs were made available and explained in detail to the Commission. The Commission considers, following verification, that the underlying parameters are realistic.

The comparative calculation of production and investment costs attributable to the alternative locations is based on the assumption that the volumes of production in both possible scenarios would be the same. All volumes and costs were calculated until 2021.

If the investment was to be implemented at the Catania site, the company would save inducement costs for the downsizing in Catania, and for recruitment and training in [the site outside the EEA]*. Moreover, the presence of an existing building where the plant could be located (the M9 module building) represents another relevant factor in STM's choice.

\(^{24}\) See paragraph 80 of the RAG: revenues can be neglected if they are the same in both locations.

\(^{25}\) No other alternative locations were considered at any stage of the decision-making process.
On the other hand, production costs over the period examined in Catania would be considerably higher than in [the site outside the EEA]*, mostly due to higher labour costs.

As from the aid beneficiary’s calculations, the advantages of the site in Catania in terms of investment costs is insufficient to compensate for the lower production costs that would be incurred in [the site outside the EEA]*.

On the other hand, there is no indication that revenues from the investment would differ at the two locations.

The internal detailed calculations of the company and the sizeable difference in terms of NPV between the two production sites shows that [the site outside the EEA]* would be a realistic and - in the absence of aid - more viable location.

More precisely, Catania presents a disadvantage of EUR 75.6 million compared to [the site outside the EEA]*, gap that is covered only in part by the aid (see recital (31) of this decision). The remaining gap would be filled in large part – if however not completely - by taking into account higher inducement costs to dismiss the 700 employees of the 150mm production line in Catania, which is to be closed and relocated to Singapore, as explained by the Italian authorities (see recital (32) of this decision).

Hence, the Commission considers with regard to the substantive incentive effect based on genuine, contemporary and realistic evidence submitted by Italy that the aid effectively has an impact on the investment’s location choice. By considerably reducing the viability gap between [the site outside the EEA]* and Catania, the aid could trigger the still outstanding location decision in favour of Catania. The Commission considers that the presented counterfactual scenario is therefore credible in the meaning of paragraph 68 of the RAG.

There is no indication that the relevant location decision would de facto already have been irreversibly taken before the company formally applied for aid. Italy confirmed that the definitive location decision will be taken by STM only after the Commission will have decided on the notified aid (see recital (37) of this decision). No formal STM decision has been announced at the moment of adopting this decision.

In view of the above, the Commission considers that the aid meets the formal incentive requirements and has real (substantive) incentive effect.

3.4.1.4. Proportionality of the aid amount

According to section 3.6 of the RAG, the aid amount must be limited to the minimum needed to induce the additional investment or activity in the area concerned. For scenario 2 situations, according to paragraph 106 of the RAG, the

---

26 E.g. as a result of agreements with worker councils, or as a consequence of earlier decisions on major dedicated building infrastructure investments, or investments on intrinsically linked downstream investments.

27 See the next section of this decision regarding the conformity with the applicable aid intensity ceiling (see paragraph 81 to 86 and paragraph 107 of the RAG).
Member State must demonstrate the proportionality on the basis of documentation such as that referred to in paragraph 72 of the RAG.

(93) As a general rule, notified individual aid will be considered to be limited to the minimum, if the aid amount corresponds to the net extra costs of implementing the investment in the area concerned, compared to the counterfactual in the absence of aid. Pursuant to paragraph 80 of the RAG, in scenario 2 situations (location incentives), the aid amount should not exceed the difference between the net present value (NPV) of the investment in the target area with the net present value in the alternative location, while taking into account all relevant financial costs and benefits.

(94) The Commission notes that Italy submitted the required genuine documentation, and considers that Italy successfully demonstrated on the basis of this documentation that the proportionality test is met, because the notified aid of EUR 18.363 million (in present value) does not exceed the difference in costs of between the two possible locations of Catania and [the site outside the EEA]*. The calculations of the counterfactual analysis show that without the aid, Catania would be by EUR 75.6 million less viable (in present value) than the location of [the site outside the EEA]*. The gap due to the higher costs would only be narrowed down by the possible State aid.

(95) The Commission notes that even if aid is granted, Catania still registers a cost disadvantage compared to the alternative investment site in [the site outside the EEA]*. In earlier cases approved under the comparable rules of the Communication from the Commission on the criteria for an in-depth assessment of regional aid to large investment projects (hereinafter “IDAC”)28, the Commission accepted that limited differences between aid and net handicap are not only in line with the proportionality test, but also do not question the incentive effect of the aid. The Commission notes the argument put forward by Italy that, in case the investment for the 200mm production line would take place in [the site outside the EEA]*, the remaining cost advantage in [the site outside the EEA]* would be consumed by higher (than estimated) inducement costs for the 700 employees in Catania, and by certain, but non-quantifiable, image and motivation costs in Sicily (see recital (33) of this decision).

(96) As the net extra cost gap between the two alternative investment sites in Catania and [the site outside the EEA]* is not exceeded, the Commission considers that the proportionality of the aid is demonstrated.

Conclusion as to the respect of the minimum requirements

(97) The assessment in recitals (65) to (96) of this decision allows concluding that all minimum requirements laid down in sections 3.2 to 3.6 of the RAG are met.

---

3.4.1.5. Manifest negative effects on competition and trade

(98) Section 3.7.2 of the RAG explicitly list a series of situations where the negative effects on trade and/or competition manifestly outweigh any positive effects, and where regional aid is to be prohibited:

**Manifest negative effect: the (adjusted) aid intensity ceiling is exceeded**

(99) According to paragraph 119 of the RAG, a manifest negative effect exists where the proposed aid amount exceeds, compared to the standardized eligible investment expenditure, the maximum (adjusted) aid intensity ceiling that applies for a project of the given size, taking into account the required progressive scaling down mechanism.

(100) The applicable regional aid ceiling for NUTS 2 region Sicily is 25% (see recital (3) of this decision). In view of the expected higher distortion of competition and trade, the maximum aid intensity for large investment projects must be scaled down using the mechanism provided for in paragraph 20(c) of the RAG. The total planned eligible expenditure of the notified investment project is EUR 153,285 million (in present value). Applying the scaling down mechanism, the Italian authorities determined a maximum allowable aid intensity of 11.98% GGE (Gross Grant Equivalent) for the M9 project, taking also into account in their calculation the aid granted to a previous investment in Catania (CdS0321). The two investment projects are considered a SIP in the meaning of point 20(t) of the RAG (see recitals (15)-(17) of this decision). The maximum aid intensity of the aid granted by the Italian authorities to STM for the SIP in Catania has been appropriately determined, ensuring full compliance with the adjusted aid amount rule of point 20(c) of the RAG. The notified aid intensity is therefore not higher than the regional aid ceilings corrected by the required progressive scaling-down mechanism.

(101) Sections 3.6.1.1 and 3.6.1.2 of the RAG explain which investment costs can be taken into account as eligible expenditure. In the present case, section 3.6.1.1 applies as the eligible costs for the proposed investment aid are calculated on the basis of investment costs. The Commission notes that the eligible costs are established in line with the applicable provisions as the acquired assets will be new, the investment concerns an initial investment in the form of a capacity extension, and no leasing costs and no immaterial assets are taken into account.

---

29 The standardized eligible expenditure for investment projects by large firms is described in detail in section 3.6.1.1 and 3.6.1.2 of the RAG, and is unchanged compared to the predecessor rules.

30 See paragraphs 86 and 20(c) of the RAG.

31 Pursuant to paragraph 20(e) of the RAG, eligible costs means for the purpose of investment aid, tangible and intangible assets related to an initial investment or wage costs.

32 See paragraph 94 of the RAG.

33 Therefore the specific conditions applicable for initial investments in the form of a fundamental change of the production process of an existing establishment (see paragraph 96 of the RAG), of the diversification of an existing establishment (see paragraph 97 of the RAG), or the takeover of the assets of a establishment (see paragraph 99 of the RAG) do not apply.

34 See paragraph 98 of the RAG.
account. Used assets are excluded as well from the eligible costs (see recital (10) of this decision).

(102) As the aid intensity does not exceed the maximum allowable and is applied to eligible expenditure established in line with the relevant rules, and as the notification excludes the combination of the notified aid with other aid, the basic requirement identified in paragraphs 107 and 118 that the maximum aid intensities are not exceeded and the level playing field required by paragraph 81 of the RAG is ensured. Therefore also the double cap condition, laid down in paragraph 83 of the RAG, resulting from the combination of the net extra cost approach ("aid limited to the minimum necessary", see paragraph 79 of the RAG and the previous section 3.4.1.4 of this decision) with the allowable ceilings is respected.

**Manifest negative effect: the aid contributes to create overcapacity in a market in absolute decline**

(103) According to paragraph 120 of the RAG, a manifest negative effect arises also where the investment aid creates capacity in a market in absolute decline, as such aid is likely to crowd out competitors, or to prevent firms with lower investment costs from entering, and risks weakening incentives for competitors to innovate. This verification is however necessary only where additional capacity is created on the relevant geographic market by the aid. Where the investment would have happened in any event (i.e. under scenario 2)\(^36\), the aid - provided it is limited to the minimum necessary to change the location decision - influences only the location decision, and additional capacity would have come on the relevant geographic market independent of it. Therefore, this verification will normally be required only in scenario 1 situations\(^37\). Exceptionally, it might become necessary in scenario 2 if the most viable region for the implementation of the investment in the absence of aid, and the target region, should be situated in different geographic markets\(^38\). As the counterfactual situation concerns a scenario 2 situation, the aid is limited to the minimum and the two locations belong to the same geographic market, which is global\(^39\), the test for overcapacity in a declining market does not have to be carried out. Therefore, the Commission considers that the aid does not have any negative effect on competition, and also that it does not contribute to create overcapacity in a market in absolute decline.

---

\(^35\) See paragraph 100 of the RAG

\(^36\) For the definition of scenario, see paragraph 61 of the RAG.

\(^37\) See paragraph 120 of the RAG

\(^38\) See paragraph 139 the RAG

\(^39\) In previous Decisions for State aid cases, the Commission considered the relevant geographic market for semiconductors (microprocessors) to be worldwide. See e.g. N 844/01- Italy - Aiuto in favore di STMicroelectronics Srl, OJ C 146, 19.6.2002, p.10; N 522/03 - Germany - MSF 1998 - Large investment aid under the 1998 multisectorial framework in favour of AMD Fab 36 Limited Liability Company & Co. KG, OJ C 97, 22.4.2004, p.10; N 810/06 - Germany - AMD Dresden (MSF 2002), OJ C 160, 14.7.2009, p.1; SA.30596 - Germany - LIP - Globalfoundries Dresden (Fab Booster Investment, Fab 1 Annex), OJ C 58, 2.9.2011, p.3.
**Manifest negative effect: Counter-cohesion effect**

(104) Paragraph 121 of the RAG lays down an anti-cohesion effect provision that applies exclusively for scenario 2 situations. This provision prohibits the region with the lower project-specific viability to participate in subsidy races to the detriment of equally weak or worse-off regions.

(105) Italy confirms that the aid beneficiary considered only one other alternative location for the investment project, namely [the site outside the EEA]*, which is not in the EEA. This information is backed by documents submitted by the aid beneficiary and the Italian Authorities. Therefore, the Commission considers that the aid has no anti-cohesion effect.

**Manifest negative effect: Closure of activities elsewhere/relocation**

(106) Pursuant to paragraph 122 of the RAG, where the beneficiary has concrete plans to close down or actually closes down the same or a similar activity in another area in the EEA and relocates that activity to the target area, if there is a causal link between the aid and the relocation, this will constitute a negative effect that is unlikely to be compensated by any positive elements.

(107) The Italian authorities and the aid beneficiary declared that the beneficiary has not closed down the same or similar activity in the EEA in the two years preceding the application for aid, and does not have any concrete plans to do so within two years after completion of the investment. However, the Commission noticed that a closure of a plant in Bristol and a significant reduction in workforce in another one in Crolles took place inside the two-year limit. Therefore, the Commission had to determine whether the closure of the other activities of the aid beneficiary

---

40 According to paragraph 121 this would constitute a negative element in the overall balancing test that is unlikely to be compensated by any positive elements, because it runs counter the very rationale of regional aid.

41 Such cases are subject to individual notification pursuant to paragraph 23 of the RAG and Article 13(d) of the GBER 2014. In its Practical Guide to the GBER, available online at [http://ec.europa.eu/competition/state_aid/legislation/practical_guide_gber_en.pdf](http://ec.europa.eu/competition/state_aid/legislation/practical_guide_gber_en.pdf), the Commission clarified that (1) the beneficiary is to be defined at "group level", which is considered to be an economic entity with a common source of control rather than just a single subsidiary (a single legal entity), that (2) the “closure of the same or similar activity” is to be looked at the level of the given establishment, rather than at the level of a region or a Member State, that (3) the provision applies only if the closure happens in one EEA country and the aided investment is carried out in another, that (4) the concept of closing down means that the activity is fully (100%) closed at the establishment concerned or that the activity is partially closed when this results in substantial job losses, and that (5) the notification of the aid measure is necessary if the beneficiary has closed down the same or similar activity within two years before the date of application or if the beneficiary plans to close such an activity over the entire period from the date of the application and two years after the completion of the initial investment. The Guide also clarifies that “substantial job losses” are defined as losses of at least 100 jobs or as a job reduction of at least 50% of the workforce in the establishment on the date of the application (compared to the average employment in the establishment in any of the two years preceding the date). The notion of "same or a similar activity" is defined by Article 2(50) of the GBER, and means an activity falling under the same class (four-digit numerical code) of the NACE Rev. 2 statistical classification of economic activities as laid down in Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains.
qualifies as relocation, and if this is the case, if there is a causal link between the aid granted by Italy and the relocation.

(108) On the basis of the elements provided by the Italian authorities, as presented in section 2.12 of this decision, the Commission can conclude that there is no relocation of activities to Catania. More precisely, the closed site in Bristol was for R&D activities, while the new investment in Catania is for production. The activities planned to be discontinued in France concern the production of chips for set-top boxes and home gateways, technologically different from the 200mm power semiconductors production to be extended in Catania. The Italian authorities explain also that the mission of the two sites Crolles 2 and Catania is different, and that the aid beneficiary is also planning new investment in the same location in Crolles 2. Finally, it is confirmed that no staff, no assets or no orders will be transferred to Catania from the closed and closing activities. Therefore, the Commission can conclude that there is neither a similarity in concerned products, nor a causal link between the new investment and the closure of the location in Bristol and the (partial) closure of activities in Crolles 2. Furthermore, some activities in Catania are foreseen to be closed and transferred as well (as explained in recital (7) of this decision as the 150mm line is bound to be relocated to Singapore). It is moreover credible that in the absence of aid the aid beneficiary would consider [the site outside the EEA]* for its new 200mm production line.

**Conclusion as to the existence of manifest negative effects on competition and trade**

(109) The assessment in recitals (98) to (108) of this decision therefore allows concluding that the aid has no manifest negative effect on competition or trade in the meaning of section 3.7.2 of the RAG.

3.4.1.6. **Balancing of positive and negative effects of the aid**

(110) Paragraph 112 of the RAG lays down that: "For the aid to be compatible, the negative effects of the measure in terms of distortion of competition and impact on trade between Member states must be limited and outweighed by the positive effects in terms of contribution to the objective of common interest. Certain situations can be identified where the negative effects manifestly outweigh any positive effects, meaning that aid cannot be found compatible with the internal market."

(111) The assessment of the minimum requirements proves that the aid measure is appropriate, that the counterfactual scenario presented is credible and realistic, that the aid has an incentive effect and is limited to the amount necessary to change the location decision of the beneficiary. By triggering the location of the investment in an assisted region in the meaning of Article 107(3)(a) TFEU, the aid contributes to its development. The assessment also shows that the aid has no manifest negative effect: it does neither lead to the creation or maintenance of an overcapacity in a market in absolute decline, nor does it lead to excessive effects on trade, it respects in particular the applicable regional aid ceiling, has no anti-cohesion effect, and is not causal for the closure of activities elsewhere and their relocation to Catania.
(112) Undue negative effects on competition that would have to be taken into account in the balancing test are identified in paragraphs 114, 115 and 132 of the RAG and concern the creation or reinforcement of a dominant market position or the creation or reinforcement of overcapacities in an underperforming market (even if this market is not in absolute decline).

(113) The Commission considers that the aid does not lead to (or reinforces) a dominant market position of the aid beneficiary, as the investment would have taken place in any event, and therefore, pursuant to paragraph 139 of the RAG, has no effect on competition if it is limited to the amount necessary to change the location decision (see section 3.4.1.4 of this decision). For the same reason, the aid does not lead to the creation of overcapacity in a market in decline.

(114) In the present case, also the effect of the aid on trade is limited since the regional aid ceiling is respected and the measure has no counter-cohesion and relocation effects.

Conclusion as to the overall balancing

(115) As the notified aid measure meets all minimum requirements, has no manifest negative effect, and the analysis in recitals (113) and (114) shows that it has also no effect on competition, and only very limited effects on trade, the Commission considers that the substantial positive effects of the aid on the regional development of Sicily, and in particular the employment and income generation effects of the investment, clearly outweigh any negative effects.

3.4.1.7. Transparency

(116) In view of paragraph II.2 of the Commission’s Transparency Communication\(^{42}\), Member States must ensure the publication on a comprehensive State aid website, at national or regional level, of a full text of the approved aid scheme or the individual aid granting decision and its implementing provisions, or a link to it; the identity of the granting authority or authorities; the identity of the individual beneficiaries, the form and amount of aid granted to each beneficiary, the date of granting, the type of undertaking (if SME or large enterprise), the region in which the beneficiary is located (at NUTS 2 level) and the principal economic sector in which the beneficiary has its activities (at NACE group level). Such information must be published after the decision to grant the aid has been taken, must be kept for at least ten years and must be available to the general public without restrictions. Member States are required to publish the above-mentioned information as from 1 July 2016.

4. Conclusion

(1) The Commission has accordingly decided not to raise objections to the aid on the

grounds that it is compatible with the internal market pursuant to Article 107(3)(a) of the Treaty on the Functioning of the European Union.

(2) The Commission reminds the Italian authorities of their commitment to fulfil the reporting obligations.

(3) The Commission further reminds the Italian authorities that all plans to modify that aid measure must be notified to the Commission.

If this letter contains confidential information, which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Your request should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
State Aid Greffe
B – 1049 Brussels
Fax No: 32 2 296 12 42

Yours faithfully,

For the Commission

Margrethe Vestager
Member of the Commission