



EUROPEAN COMMISSION

Brussels, 26.10.2009  
C(2009)8406

**Subject:**      **State Aid N 542/2009 – Italy**  
                         **Aid for the production of green products**

Sir,

## **1. PROCEDURE**

- (1) By electronic notification of 6 October 2009, Italy notified the above mentioned aid measure.

## **2. DESCRIPTION**

### **2.1. Objective of the aid scheme**

- (2) Italy considers that the financial crisis is affecting its whole economy at local, regional and national level. In particular, according to the data submitted to the Commission by the Italian authorities, in 2009 the Italian economy has shrunk by a percentage comprised between 4.8 and 5.3%<sup>1</sup>. Furthermore, the Italian GNP of the second semester of 2009 has decreased by 6% compared to the same period of the previous year. Moreover, according to the information provided by the Italian authorities, the analysts foresee a very limited growth rate for the Italian economy in 2010 (between 0.2 and 0.7%)<sup>2</sup>.
- (3) The Italian automotive sector (including the car and car component manufacturers) accounts for around 6.2% of the national GNP according to the data provided by the Italian authorities. This is the first sector of the Italian economy in terms of workforce. In particular, the car component manufacturers, which will be the direct beneficiaries of the present scheme, according to the Italian authorities, directly

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<sup>1</sup> Sources: OECD, IMF, other international organisations.

<sup>2</sup> Source: OECD, IMF, other international organisations.

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employ more than 170 000 people; they also indirectly provide activity to retailers and providers of aftermarket services.

- (4) The data provided by the Italian authorities show that the automotive sector has been very significantly hit by the crisis. In particular, the Italian authorities submitted that: i) the overall turnover of the automotive sector has shrunk by 11% compared to 2007, ii) 300 companies have been forced to close between 2007 and end of 2008, which led to the loss of around 30.000 jobs; iii) the turnover fall in 2009 is estimated to be between 44 and 52% for the car and commercial vehicles segment and between 65 and 73% for the industrial vehicles segment; iv) 70% of the companies communicated that they might face difficulties in the payments by their creditors. The car component segment has been consequently very negatively impacted as well. In particular, on the basis of the data provided by the Italian authorities, it results that over the 2008-2009 period: i) the turnover of the aftermarket service sector has decreased by 10%; ii) component sales have decreased by 20-30% and the car components suppliers' turnover has also decreased by 30-40%.
- (5) More specifically, according to the Italian authorities, the companies active in the automotive sector are facing difficulties in accessing credits, given the scarce availability of financing from the banks and the lack of fresh equity, which results into the offer of more restrictive credit conditions by the banks.
- (6) On the basis of the foregoing, the Italian authorities have decided to adopt the present scheme in order to remedy a serious disturbance in the Italian economy. The Italian authorities, in particular, intend to focus their intervention on the car component sector and, more precisely, on those products segment which will be more competitive in the future and will ensure a better protection of the environment such as the components for low emissions vehicles, whose development may be significantly hindered by the present financial downturn.
- (7) The scheme is explicitly based on Article 87(3)(b) EC Treaty, and relies on the Commission Communication 'Temporary Framework for State aid measures to support access to finance in the current financial and economic crisis' (hereinafter 'the Temporary Framework')<sup>3</sup>, in particular on its Section 4.5 concerning aid for the production of green products.

## **2.2. Legal basis**

- (8) The legal basis for the notified measure is the "Decreto del Presidente del Consiglio dei Ministri del 3 giugno 2009" (hereinafter "DPCM")<sup>4</sup>, which also constitutes the legal basis for other Temporary Framework aid measures. The details of the implementation and administration of the scheme are contained in the document annexed to the DPCM "Dettagli operativi" (hereinafter "Annex").

## **2.3. Administration of the scheme**

- (9) The notified measure has a national scope.
- (10) The DPCM, according to its Article 1, is addressed to all public administrations in Italy (including, thus, the national administration as well as the regional and local

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<sup>3</sup> OJ C 16, 22.1. 2009, p. 1, as amended on 25 February 2009.

<sup>4</sup> The Decree has been adopted on the basis of Article 845 of the Law n. 296/06.

ones) and sets out a general framework for their interventions under the Temporary Framework. The aid contributions for the production of green products will be initially granted by the Italian Ministry for Economic Development ("Ministero dello sviluppo economico"). However the Italian authorities explained that it cannot be excluded that, a later stage, also other levels of the public administration may be involved in the implementation of aid for the production of the green products.

#### **2.4. Beneficiaries**

- (11) The scheme applies to companies of all sizes: both SMEs and large firms. Its geographic scope covers the whole territory of Italy. According to the Italian authorities' estimates, the number of potential beneficiaries exceeds 1000 undertakings.
- (12) According to Article 2 of the DPCM no aid under this scheme will be granted to large firms which were, on 1 July 2008, firms in difficulty in the meaning of the Community guidelines on State aid for rescuing and restructuring for firms in difficulty<sup>5</sup>, nor to SMEs which were on that date firms in difficulty in the meaning of Art. 1 (7) of the GBER<sup>6</sup>. The aid may be granted to firms that were not in difficulty at that date, but entered into difficulty thereafter as a result of the global financial and economic crisis.
- (13) The wording of the Annex to the DPCM (see point 8) does not restrict the aid granted under the present scheme to any category of undertakings. However, the Italian authorities have explained that the car components manufacturers will be in practice the beneficiaries of this scheme.

#### **2.5. The nature and form of the aid**

- (14) The aid will be granted in the form of interest rate subsidy for investment loans for production of green products.
- (15) The subsidised interest rates relate to investment loans for financing projects which consist of the production of products involving early adaptation to or going beyond future Community product standards which increase the level of environmental protection and are not yet in force<sup>7</sup>.
- (16) The measure will be applied to components integrated into the final product. According to the text of the Annex to the DPCM (see point 8), the aid will only be granted to such components where their integration into the final products contributes to an early adaptation to or going beyond future Community standards of the final product.

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<sup>5</sup> OJ C 244, 1.10. 2004, p. 2.

<sup>6</sup> Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation), OJ L 214, 9.8.2008, p.3.

<sup>7</sup> Future Community product standard means a mandatory Community standard setting environmental levels to be attained for products sold in the Community which has been adopted but is not yet in force.

- (17) These rules, will concern the production of car components. As an example, the Italian authorities reckon that the measure could be applied to the following standard, which concerns the car industry:

The Euro 6 emission limits laid down in Regulation (EC) No 715/2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and 6) and on access to vehicle repair and maintenance information.

- (18) The aid will be granted if the following additional criteria are met:

- The aid is granted for launching a new project; existing projects may only receive aid if it becomes necessary due to current economic downturn which threatens the existing financing.
- The investments should begin on 31 December 2010 at the latest with the aim of putting the products on the market at least 2 years before the standard enters into force.
- The subsidised interest rate applies during a maximum period of 2 years following granting of loan.
- The Italian authorities explained that the loans will not cover the costs related to the investments for the increased production capacities.
- The reduction in the interest rate may be applied to loans provided by the State or by any other private or public financial institutions.
- There is no discrimination between public and private financial institutions.
- The loans are granted on 31 December 2010 at the latest.
- The loans may cover the costs of investments in tangible and intangible assets with the exception of loans for investments which account for production capacities of more than 3% on product markets where the average annual growth rate, over the last five years before the start of the investment, of the apparent consumption on the EEA market, measured in valued data, remained below the average annual growth rate of the EEA's GDP over the same five years reference period;
- The aid will not be directly or indirectly transferred to financial entities.

- (19) The Italian authorities ensure that aid will be granted for the realisation of new products which will significantly improve environmental protection.

## **2.6. Aid amount calculation**

- (20) The minimum interest rates will be determined as follows:

- For large enterprises:  $0.75 \times$  [Central bank overnight rate plus a premium equal to the difference between the average one year interbank rate and the average of the central bank overnight rate over the period 1.1.2007 to 30.6.2008, plus the credit risk premium based on the rating of the beneficiary and collateral offered, as stipulated by the Commission communication on the revision of the method for

- setting the reference and discount rate<sup>8</sup>, taking into account the situation of the beneficiary at the moment when the loan is granted];
- For SMEs: 0,5 x [Central bank overnight rate plus a premium equal to the difference between the average one year interbank rate and the average of the central bank overnight rate over the period 1.1.2007 to 30.6.2008, plus the credit risk premium based on the rating of the beneficiary and collateral offered, as stipulated by the Commission communication on the revision of the method for setting the reference and discount rate taking into account the situation of the beneficiary at the moment when the loan is granted].
- (21) The Italian authorities provided a theoretical calculation example in order to illustrate the above described method. For instance, if a subsidised loan would have been granted to a SME company whose credit rating is BB and offering a normal level of collateralisation at the moment when the loan is granted, the resulting loan rate would be as follows:
- 1.25 % (central bank overnight rate);
  - plus 0.63 % (difference between the average one year Euribor rate and the average of the central bank overnight rate over the period 1.1.2007 to 30.6.2008);
  - plus 2.2% margin loan (based on the rating of the beneficiary and low collateralisation);
  - The rate is finally multiplied by 0.50 given that the beneficiary is a SME;
- This leads to an interest rate of 2.04 %.

## **2.7. Budget and duration of the measure**

- (22) According to the text of the "Dettagli Aggiuntivi" notified to the Commission, the overall budget to finance the measures contained therein is Euro 300 million.

## **2.8. Cumulation**

- (23) As regards the cumulation between the aid granted under the present scheme with other aid contributions from other sources, Article 8 of the DPCM provides that the rules laid down in Section 4.7 of the Temporary Framework<sup>9</sup> will be respected.

## **2.9. Monitoring and reporting, business secrets**

- (24) The Italian authorities confirm that the monitoring and reporting obligations laid down in Section 6 of the Temporary Framework will be respected.
- (25) In addition the Italian authorities undertake to provide information on the relevant future Community standards and on the related environmental benefits when providing detailed information.

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<sup>8</sup> OJ C 14, 19.1.2008, p. 6.

<sup>9</sup> Section 4.7 of the Temporary Framework: 'The temporary aid measures foreseen by this Communication may not be cumulated with aid falling within the scope of the *de minimis* Regulation for the same eligible costs [...]. The amount of *de minimis* aid received from 1 January 2008 must be deducted from the amount of compatible aid granted for the same purpose under points 4.3, 4.4, 4.5 or 4.6.' The temporary aid measures may be cumulated with other compatible aid or with other forms of Community financing provided that the maximum aid intensities indicated in the relevant guidelines or block exemptions Regulations are respected.

- (26) Furthermore, Italy confirmed that it will provide the following additional information in its monitoring reports:
- a breakdown by sector or category of undertakings of the loans awarded in both absolute terms and percentage;
  - a breakdown of the loans awarded distinguishing between (i) financing of new products and (ii) completion of already initiated projects;
  - impact of the restrictions contained in point 4.5.2 e) of the Temporary framework (e.g. number of applications rejected due to the non-compliance with this clause).
- (27) The Commission reminds to the Italian authorities that they should include in their monitoring report all the above specified information also in relation to the interventions carried out under the present scheme by the regional or local authorities.
- (28) The Italian authorities confirm that the notification does not contain business secrets.

### **3. ASSESSMENT**

#### **3.1. Legality of the measure**

- (29) By notifying the aid measure before putting into effect, the Italian authorities respected their obligations under Article 88 (3) of the EC Treaty.

#### **3.2. Existence of state aid**

- (30) According to Article 87 (1) of the EC Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, insofar as it affects trade between Member States, be incompatible with the common market.
- (31) State resources are involved in the notified scheme since the aid is granted from State resources, via the respective aid granting authorities at national level.
- (32) The measure is selective since it will be granted only to certain firms.
- (33) The measure conveys an advantage to beneficiaries by granting them investment loans with subsidised interest rates which would probably not be available on the market in the absence of the notified measure. Consequently, the aid will strengthen the financial position of beneficiaries in relation to their competitors in the Community and therefore will have potentially distorting effects on competition.
- (34) The measure affects trade between Member States since the scheme is not limited to beneficiaries which are active in sectors where no intra-community trade exists.
- (35) In view of the above, the Commission considers that the notified measure constitutes state aid within the meaning of Article 87 (1) of the EC Treaty.

### 3.3. Compatibility of the measure

- (36) Having established that the measure involves state aid within the meaning of Article 87 (1) of the EC Treaty, it is necessary to consider whether the above mentioned measure can be found compatible with the common market.
- (37) The measure aims at remedying a serious disturbance in the Italian economy. In particular the measure aims at facilitating the access of firms to finance in a period of time where the normal functioning of credit markets is severely disturbed through the financial crisis, and where the financial crisis ("credit crunch") is affecting the wider economy and is leading to severe disturbances of the real economy of Member States. The credit crunch has significantly affected the automotive sector in Italy as well as in other Member States, as recognised in the Commission Communication of 25 February 2009<sup>10</sup>.
- (38) In this respect, it should be noted that the mentioned communication has recognised that the automotive sector has been concerned by a sharp and uniform drop in demand for passenger and commercial vehicles at both European and world-wide level and that a significant number of companies of the automotive industry are reporting problems with access to credit financing. Some companies, in particular, are unable to get loans on reasonable terms, with credit ratings downgraded in light of market outlook.
- (39) The difficulty in accessing financing may negatively and significantly impact the development and/or the adoption of green products. The costly character of projects aimed at increasing environmental protection may, in fact, discourage or delay companies' investments in these segments.
- (40) By adopting the Temporary Framework, the Commission indeed acknowledged (section 4.1) the 'seriousness of the current financial crisis and its impact on the overall economy of the Member States'. The Commission concluded 'that certain categories of State aid are justified, for a limited period, to remedy these difficulties and that they may be declared compatible with the common market on the basis of Article 87(3)(b).'
- (41) In view of the arguments put forward by the Italian authorities, the Commission considers that the notified measure, including its focus on the automotive industry (which, according to the data provided by the Italian authorities and detailed in point 2 to 6 of the present decision, is a sector of material importance for the Italian economy and has been significantly and negatively hit by the present financial crisis), is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, and meets all the conditions of the Temporary Framework.
- (42) In particular,
- as explained in point 19, the aid relates to investment loans for financing projects consisting of production of new products which significantly improve environmental protection.(point 4.5.2 a);

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<sup>10</sup> See Commission Communication of 25 February 2009, "Responding to the crisis in the European automotive industry", COM (2009)104.

- as explained in point 18, the aid is necessary for launching a new project; in the case of existing projects, aid may be granted if it becomes necessary, due to the new economic situation, in order to pursue the project (point 4.5.2 b);
- the aid is granted only for projects consisting of production of products involving early adaptation to or going beyond future Community product standards; as described above in point 17, they may concern Euro 6 emission limits , which increase the level of environmental protection and are not yet in force (point 4.5.2 c)<sup>11</sup>.
- as described in point 18, for products involving early adaptation to or going beyond future Community environmental standards, the investment starts on 31 December 2010 at the latest with the objective of putting the product on the market at least two years before the standard enters into force (point 4.5.2 d)<sup>12</sup>;
- as described in point 18, the Italian authorities comply with the requirement that the loans do not cover the costs of investment which would result in the increase of the production capacity of the beneficiary; more precisely, Italy ensures that the loans may cover the costs of investments in tangible and intangible assets with the exception of loans for investments which account for production capacities of more than 3% on product markets where the average annual growth rate, over the last five years before the start of the investment, of the apparent consumption on the EEA market, measured in valued data, remained below the average annual growth rate of the EEA's GDP over the same five years reference period (point 4.5.2 e);
- as described in point 18 , loans are granted on 31 December 2010 at the latest (point 4.5.2 f);
- as described in point 18, the aid is calculated on the basis of the methodology laid down in Section 4.4.2 and complies with the maximum reduction limits laid down in point 4.5.2 g), i.e. 25 % for large companies and 50 % for SMEs. In particular, the Commission agrees to the calculation submitted by the Italian authorities for the subsidised loan rate and the sources chosen for the central bank overnight and one year interbank rates.;
- as described in point 18, the subsidised interest rate applies during a maximum period of 2 years following the granting of loan (point 4.5.2 h);

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<sup>11</sup> In particular compliance must be ensured by obtaining EC type approval for Euro 6 vehicles which does not only cover emission limits but also other technical requirements. This is the more important, since for petrol cars, the emission limits do not change from Euro 5 to Euro 6 and the "significant environmental improvement" of the vehicle can thus only lie in fulfilling those additional requirements.

<sup>12</sup> In particular, with regard to EC type approval legislation on motor vehicles (Cf. the separate legal acts listed in Annex IV of Directive 2007/46/EC of 5 September 2007, OJ L 263 of 9.10.2007, p.1); the relevant date of entry into force of the standard is the date as of which national authorities shall consider certificates of conformity to be no longer valid and shall prohibit the registration, sale or entry into service of new vehicles not complying with the relevant standard. For the Euro 6 limit values, the relevant date for vehicles falling under the scope of this regulation is thus 1 September 2015 for vehicles of category M1, M2 and N1 class I and 1 September 2016 for category N1 class II and III and category N2 vehicles (Cf. Article 10 of Regulation 715/2007). The Italian authorities have confirmed that all projects aiming at the early introduction of Euro6 emission values have the realistic objective of putting the complying vehicles on the market at least by 1 September 2013 or 1 September 2014 respectively.

- as described in point 18, the reduction in the interest rate applies to loans granted by the State as well as by private or financial institutions, without any discrimination among the latter (point 4.5.2 i);
- as described in point 12, the aid is granted to firms which were not in difficulty on 1 July 2008; it may be granted to firms that were not in difficulty at that date but entered in difficulty thereafter as a result of the global financial and economic crisis (point 4.5.2 j);
- as described in point 18, The aid will not be directly or indirectly transferred to financial entities (point 4.5.2 k);
- as described in point 18, the present scheme complies with the rules on cumulation of different aid measures set out by the temporary framework(section 4.7.);
- as described in point 24, the Italian authorities will respect the monitoring and reporting obligations as laid down in Section 6 of the Temporary Framework. The Commission notes in this context that the Italian authorities undertook to provide additional information concerning the applicable Community standards and related environmental benefits and further details on implementation of the notified measure as described in point 18 above.

### **3.4. Conclusion**

- (43) For these reasons, the Commission considers that the notified measure is in conformity with the Temporary Framework and considers it to be compatible with the EC Treaty on the basis of Article 87(3)(b). The Commission notes that the Italian authorities have confirmed that the notification does not contain business secrets.

#### **4. DECISION**

- (44) The Commission has accordingly decided to consider the notified aid scheme 'Temporary aid for the production of green products' as compatible with the EC Treaty under Article 87(3)(b).

Yours faithfully,

For the Commission

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Member of the Commission