Commission approves €902 million German State aid measure to support Northvolt in the construction of an electric vehicle battery production plant to foster the transition to a net-zero economy

Brussels, 8 January 2024

The European Commission has approved a €902 million German measure to support Northvolt in the construction of a plant for the production of batteries for electric vehicles to foster the transition towards a net-zero economy, in line with the Green Deal Industrial Plan. The aid was approved under the State aid Temporary Crisis and Transition Framework, adopted by the Commission on 9 March 2023 and amended on 20 November 2023, to support measures in sectors which are key to accelerate the green transition and reduce fuel dependencies.

The German measure

Germany notified to the Commission, under the Temporary Crisis and Transition Framework, a €902 million measure to support Northvolt in the construction of a production plant for advanced and high-efficiency electric vehicle batteries in the city of Heide. The plant will have an annual capacity of 60 GWh. This translates to 800,000 to 1 million electric vehicles per year, depending on the size of the battery. The plant will start producing in 2026 and will reach full production capacity in 2029.

Under the measure, the aid will take the form of a €700 million direct grant and a €202 million guarantee. Without the aid, Northvolt would establish the plant in the United States, where support was offered in particular under the Inflation Reduction Act.

The Commission found that the German measure is in line with Article 107(3)(c) TFEU and the conditions set out in the Temporary Crisis and Transition Framework, in particular Section 2.8, which enables Member States to support accelerated investments in sectors strategic for the transition towards a net-zero economy.

More specifically, the Commission found that:

- The measure concerns the production of batteries, therefore it is aimed at an investment project with strategic importance for the transition towards a net-zero economy. In addition, the project is carried out in Heide, a city in a disadvantaged area as defined under the German regional aid map. The aid has an incentive effect, as without the aid the plant would have been established outside the EEA.
- The beneficiary has set itself the goal of building the world’s most environmentally friendly battery, which produces significantly less CO₂ emissions than other companies when measured on produced level including recycling at the end of life. The reduction of the carbon footprint is in particular achieved using fossil free energy in the production and a circular design of the production process, including recycling of battery cell materials.
- The measure has a limited impact on competition and trade within the EU. In particular, it is necessary and appropriate to ensure the establishment of the battery production plant and it will not lead to overcapacity in the market.
- The aid is proportionate and limited to the minimum necessary to trigger the investment in Europe: it does not make the investment in Germany more profitable than the investment in the United States. It will also not exceed the amount of the subsidy that Northvolt could demonstrably receive for the equivalent investment in the United States.
- Finally, the aid will be granted no later than 31 December 2025.

On this basis, the Commission approved the German measure under EU State aid rules.

Background

Other aid measures for accelerated investments in sectors strategic for the transition towards a net-zero economy have been approved by the Commission on 9 October 2023 (SA.108953), 28 July 2023 (SA.107689), 19 July 2023 (SA.108068) and 26 May 2023 (SA.107094).
On 9 March 2023, the Commission adopted a new Temporary Crisis and Transition Framework to foster support measures in sectors which are key for the transition to a net-zero economy, in line with the Green Deal Industrial Plan. The Framework amends and prolongs in part the Temporary Crisis Framework, adopted on 23 March 2022, to enable Member States to use the flexibility foreseen under State aid rules to support the economy in the context of Russia's war against Ukraine.

The Temporary Crisis and Transition Framework has been amended on 20 November 2023 to prolong by six months a limited number of sections aimed at providing a crisis response following Russia's aggression against Ukraine and the unprecedented increase in energy prices.

The Temporary Crisis and Transition Framework, as amended, provides for the following types of aid, which can be granted by Member States:

- **Limited amounts of aid (section 2.1)**, in any form and granted until 30 June 2024, for companies affected by the current crisis or by the subsequent sanctions and counteractions up to €280,000 and €335,000 in the agriculture, and fisheries and aquaculture sectors respectively, and up to €2.25 million in all other sectors;

- **Liquidity support in form of State guarantees and subsidised loans (sections 2.2 and 2.3)**. In exceptional cases and subject to strict safeguards, Member States may provide to energy utilities for their trading activities public guarantees exceeding 90% coverage, where they are provided as unfunded financial collateral to central counterparties or clearing members. These sections are applicable only until 31 December 2023 and have not been amended;

- **Aid to compensate for high energy prices (section 2.4)**. The aid, which can be granted in any form in principle until June 2024, will partially compensate companies, in particular intensive energy users, for additional costs due to exceptional gas and electricity price increases. The individual aid amount may be calculated based on either past or present consumption, taking into account the need to keep market incentives to reduce energy consumption and to ensure the continuity of economic activities. In addition, Member States may provide support flexibly, including to particularly affected energy-intensive sectors, subject to safeguards to avoid overcompensation and to incentivise the reduction of the carbon footprint in case of aid amounts above €50 million. Member States are also invited to consider, in a non-discriminatory way, setting up requirements related to environmental protection or security of supply. Further details on the support possibilities for high energy prices, including on the methodology to calculate individual aid amounts, are available here;

- **Measures accelerating the rollout of renewable energy (section 2.5)**. Member States can set up schemes for investments in all renewable energy sources, including renewable hydrogen, biogas and biomethane, storage and renewable heat, including through heat pumps, with simplified tender procedures that can be quickly implemented, while including sufficient safeguards to protect the level playing field. In particular, Member States can devise schemes for a specific technology, requiring support in view of the particular national energy mix. The conditions for the granting of aid to small projects and less mature technologies, such as renewable hydrogen, have been simplified by lifting the need for a competitive bidding process, subject to certain safeguards. Under such schemes, aid may be granted until 31 December 2025; after that date, the usual State aid rules will continue to apply, including in particular the corresponding provisions of the Climate, Energy and Environmental Aid Guidelines (CEEAG);

- **Measures facilitating the decarbonisation of industrial processes (section 2.6)**. To further accelerate the diversification of energy supplies, Member States can support investments to phase-out from fossil fuels, in particular through electrification, energy efficiency and the switch to the use of renewable and electricity-based hydrogen which complies with certain conditions, with expanded possibilities to support the decarbonisation of industrial processes switching to hydrogen-derived fuels. Member States can either (i) set up new tender-based schemes, or (ii) directly support projects, without tenders, with certain limits on the share of public support per investment. Specific top-up bonuses are foreseen for small and medium-sized enterprises as well as for particularly energy efficient solutions. In the absence of tenders, a further simpler method has been introduced to determine the level of maximum support. Under such schemes, aid may be granted until 31 December 2025; after that date, the usual State aid rules will continue to apply, including in particular the corresponding provisions of the CEEAG;

- **Measures aimed at supporting electricity demand reduction (section 2.7)**, in line with the Regulation on an emergency intervention to address high energy prices, until 31 December 2023;

- **Measures to further accelerate investments in key sectors for the transition towards a**
**net-zero economy (section 2.8)**, enabling investment support for the manufacturing of strategic equipment, namely batteries, solar panels, wind turbines, heat-pumps, electrolysers and carbon capture usage and storage as well as for production of key components and for production and recycling of related critical raw materials. More specifically, Member States may until 31 December 2025 design simple and effective schemes, providing support capped at a certain percentage of the investment costs up to specific nominal amounts, depending on the location of the investment and the size of the beneficiary, with higher support possible for small and medium-sized enterprises ('SMEs') as well as companies located in disadvantaged regions, to ensure that cohesion objectives are duly taken into account. Furthermore, in exceptional cases, Member States may provide higher support to individual companies, where there is a real risk of investments being diverted away from Europe, subject to a number of safeguards. More information on the support possibilities for measures to accelerate the transition to a net-zero economy can be found [here](#).

Sanctioned Russian, Belarussian and Iranian entities in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine are excluded from the scope of these measures.

The Temporary Crisis and Transition Framework complements the ample possibilities for Member States to design measures in line with existing EU State aid rules. For example, EU State aid rules enable Member States to help companies cope with liquidity shortages and needing urgent rescue aid. Furthermore, Article 107(2)(b) of the Treaty on the Functioning of the European Union enables Member States to compensate companies for the damage directly caused by an exceptional occurrence, such as those caused by the current crisis.

The non-confidential version of the decision will be made available under the case number SA.107936 in the State aid register on the Commission's competition website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the Competition Weekly e-News.

More information on the Temporary Crisis and Transition Framework and other actions taken by the Commission to address the economic impact of Russia's war against Ukraine and foster the transition towards a net-zero economy can be found [here](#).

### Quotes:

"This €902 million German measure is the first individual aid being approved to prevent an investment from being diverted away from Europe, under the new possibility offered by the Temporary Crisis and Transition Framework since March 2023. It enables Germany to support the construction of Northvolt’s production plant of batteries for electric vehicles. This is an important step for the electrification of transport in Europe, while preserving the level playing field in the Single Market."

Margrethe Vestager, Executive Vice-President in charge of competition policy - 08/01/2024

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