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Subject: **State Aid SA.109730 (2024/N) – Austria**
Transformation der Industrie: transformation and investment grants under the CEEAG

Excellency,

1. PROCEDURE

(1) Following pre-notification contacts, on 10 June 2024 Austria notified a scheme to support industrial decarbonisation ('the measure') pursuant to Article 108(3) of the Treaty on the Functioning of the European Union ('TFEU').

(2) The Commission requested additional information on the measure on 19 June 2024, 12 July 2024 and 2 August 2024. Austria replied to the requests for additional information on 9 July 2024, 25 July 2024 and 16 August 2024 respectively.

(3) Austria agreed to exceptionally waive its rights deriving from Article 342 TFEU in conjunction with Article 3 of Regulation 1/1958 ([1]) and to have the present decision notified and adopted in English.

([1]) Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

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2. DETAILED DESCRIPTION OF THE MEASURE

2.1. Background and objectives of the measure

(4) The European Union has set an ambitious climate protection target of reducing greenhouse gas emissions ('GHG emissions'), expressed in Carbon dioxide equivalent ('CO_2e') by at least 55 % by 2030, with a view to becoming climate-neutral by 2050 ([2]). At the national level, Austria has set the objective of becoming climate neutral by 2040 ([3]).

(5) According to a projection of GHG emissions provided by Austria ([4]), in 2022, GHG emissions in Austria amounted to 72.6 million tonnes. Installations subject to the European Emissions Trading System ('EU ETS') emitted 26.6 million tonnes GHG emissions in Austria, whereas 45.9 million tonnes GHG emissions in Austria were emitted by installations not subject to the EU ETS. According to data for 2021 provided by Austria, industry was responsible for 26 million tonnes of GHG emissions in Austria. The total GHG emissions in Austria amounted to 77.5 million tonnes in 2021 ([5]).

(6) According to Austria, to reach the climate objectives described in recital (4) above, far-reaching changes are required in all sectors of the economy. Due to the extended use of technologies relying on fossil fuels, such changes are necessary in particular in the industry.

(7) Austria estimates that for its industry to achieve climate neutrality by 2040, capital and operating expenses ranging from EUR 17.4 to 24.4 billion are necessary ([6]). Austria predicts that operating costs, and in particular the costs of the energy from renewable sources, will represent a significant cost factor for the decarbonisation of industry. To that end, in the study investigating technological paths that could lead to decarbonisation of Austrian industry ([7]), Austria provided long-term price predictions of energy from various sources based on the domestic supply and import requirements, assuming the set of technologies that Austrian industry will need to deploy and use to reach the Austrian climate objective.

(8) According to Austria, the existing regulatory framework is not sufficient to achieve its climate objective by 2040, or even by 2050. In 2023, Austria prepared an impact assessment of the National Energy and Climate Plan ('NECP') ([8]), which concluded that the measures currently in place would reduce the GHG emissions in Austria by 27 % in 2030 and by 67 % in 2050 as compared to 1990. The results

([2]) Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), OJ L 243, 9.7.2021, p. 1.

([3]) https://commission.europa.eu/document/download/7702dbb6-8677-42ad-8578-56aa5dcdcc90_en?filename=NEKP_Aktualisierung_2023_2024_final_EN.pdf&prefLang=ga

([4]) https://www.umweltbundesamt.at/fileadmin/site/publikationen/rep0869.pdf

([5]) https://www.umweltbundesamt.at/fileadmin/site/publikationen/rep0871bfz.pdf

([6]) https://www.klimafonds.gv.at/wp-content/uploads/sites/16/Studie-transform.industry.pdf

([7]) https://www.klimafonds.gv.at/wp-content/uploads/sites/16/Studie-transform.industry.pdf

([8]) https://www.bmk.gv.at/themen/klima_umwelt/klimaschutz/nat_klimapolitik/energie_klimaplan.html

of the impact assessment show that further action is needed to reach the climate objectives described in recital (4) above. This action notably requires additional incentives to accelerate the transformation of production processes and guide upcoming investment decisions towards decarbonisation projects.

(9) Austria explained that other State aid measures targeting smaller decarbonisation projects, including the part of *Transformation der Industrie* programme based on Commission Regulation (EU) 651/2014 ([9]) (General Block Exemption Regulation ('GBER')) (recital (12)(a)), are currently in place in Austria.

(10) According to Austria, the costs of industrial decarbonisation projects in Austria are currently higher than the prices of EU ETS. Austria provided projections included in its NECP, which show that in a scenario with existing measures, the 2040 national climate objective (see recital (4)) is not achieved. Therefore, according to Austria, additional incentives, including through the measure, are necessary to reach the Austrian climate objective.

(11) According to Austria, to reach the climate objective of the European Union, it is necessary to decarbonise industrial processes. Therefore, according to Austria, the measure contributes to the objective of climate neutrality of the European Union.

(12) In this context, Austria decided to put in place *Transformation der Industrie* programme, which encompasses:

(a) State aid support under the Section 7 of the GBER ([10]) and

(b) the measure, i.e. State aid support under the Guidelines on State aid for climate, environmental protection and energy 2022 ([11]) ('CEEAG') encompassing investment and transformation grants as described in the subsequent Sections of the present decision.

(13) The measure's objective is to support investments in industrial decarbonisation and through support for operating costs to overcome the hurdle of higher input prices of energy from renewable sources.

2.2. Form of aid

(14) Under the measure, aid will be granted in form of direct grants that are:

(a) either investment grants (*Investitionszuschuss*) covering investment costs, or;

(b) transformation grants (*Transformationszuschuss*) covering both investment and operating costs.

([9]) Commission Regulation (EU) 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, OJ L 187, 26.6.2014, p. 1.

([10]) The first auction under the GBER took place from 19 May 2023 to 18 September 2023 and selected nine projects, which were granted EUR 157.7 million of State aid.

([11]) Guidelines on State aid for climate, environmental protection and energy 2022, OJ C 80, 18.02.2022, p. 1.

(15) The level of aid awarded will be defined based on a competitive bidding process (Sections 2.9.3 and 2.9.4).

2.3. Legal basis

(16) The legal basis of the measure comprises the following:

(a) draft Funding Guidelines – Funding Guidelines 2024 for industrial transformation in the context of domestic environmental support (*Förderungsrichtlinien 2024 für die Transformation der Industrie im Rahmen der Umweltförderung im Inland*) and;

(b) Austrian Environmental Promotion Act (*Umweltförderungsgesetz*) ('UFG') ([12]).

2.4. Administration of the measure

(17) The Federal Ministry of the Republic of Austria for Climate Action, Environment, Energy, Mobility, Innovation and Technology (*Bundesministerium für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie*) is the aid granting authority.

(18) Kommunalkredit Public Consulting GmbH ('handling agency') is responsible for administering the measure.

2.5. Budget and financing of the measure

(19) The budget of the measure is EUR 2 732.3 million in total until 31 December 2030. The estimated annual budget of the measure is approximately EUR 400 million.

(20) The measure will be financed from Austria's federal budget.

2.6. Duration of the measure

(21) The aid under the measure may be granted from 1 December 2024 to 31 December 2030. The national legal basis (recital (16)(a)) contains a suspensive clause, which makes the entry into force of the measure, and therefore granting of the aid under the measure, subject to prior notification of the Commission's decision approving the measure.

(22) Successful beneficiaries applying for the investment grants will be awarded a single payment, which may be paid out in instalments if the project for which aid is granted is organised in several stages.

(23) Disbursement of the investment grant will take place after the project's conclusion based on the costs incurred by the beneficiary and evidenced by a final statement of accounts. Should a project be organised in several stages, the payment may also

([12]) German: *Bundesgesetz über die Förderung von Maßnahmen in den Bereichen der Wasserwirtschaft, der Umwelt, der Altlastensanierung, des Flächenrecyclings, der Biodiversität und der Kreislaufwirtschaft und zum Schutz der Umwelt im Ausland sowie über das österreichische JI/CDM-Programm für den Klimaschutz (Umweltförderungsgesetz – UFG).*

take place in stages after conclusion of each stage based on the costs incurred by the beneficiary and evidenced by interim statements of accounts.

(24) Successful beneficiaries applying for the transformation grants will be awarded yearly payments over a maximum of 10 years.

(25) Disbursement of the transformation grants will start from the year in which the supported installation is operational. Each year, the aid amount to be disbursed will be calculated based on the evidence provided by the beneficiary and according to the formulas described in Section 2.9.4.2.

2.7. Beneficiaries

(26) Aid applications may be submitted by natural or legal persons and partnerships.

(27) To be eligible for aid under the measure, the beneficiaries must:

(a) not be undertakings in difficulty, as defined in the Commission Guidelines on State aid for rescuing and restructuring non-financial enterprises in difficulty ([13]);

(b) not be subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market;

(c) comply with the Equal Treatment Act ([14]);

(d) comply with the Federal Law on the Equality of People with Disabilities ([15]).

(28) The beneficiaries who are subject to the relevant provision of public procurement law with regard to the project to be supported must comply with the requirements of the public procurement law.

2.8. Territorial scope

(29) The measure applies to the entire territory of Austria.

2.9. Basic elements of the measure

2.9.1. Scope and eligibility conditions

(30) The measure concerns a specific set of projects that aim at a reduction of GHG emissions stemming directly from installations or aggregates and caused by the use of fossil fuels in industrial production processes, which is based on the following definitions:

([13]) Communication from the Commission Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty, OJ C 249, 31.07.2014, p.1.

([14]) German: *Gleichbehandlungsgesetz*.

([15]) German: *Bundes-Behindertengleichstellungsgesetz.*

(a) ‘Aggregate’ means equipment that is in a functional link with an installation and has a clearly defined function.

(b) ‘Installation’ means one or multiple aggregates that together are a stationary technical unit carrying out at least one activity listed in Annex I to the UFG and other directly associated activities (‘supported sectors’, see recital (35)).

(c) ‘Supported installation’ means installation for which aid will be granted.

(d) ‘Reference installation’ means installation, which was operated over a representative period prior to aid application. The level of environmental protection and the energy consumption will be measured by comparing the reference installation to the supported installation.

(e) ‘Project’ concerns construction and operation of a supported installation over a time defined in the granting agreement.

(31) The supported installation must use only energy from renewable sources ([16]). To that end, Austria will request evidence as explained in recital (95).

(32) Only undertakings operating a reference installation may apply for the aid.

(33) Only the projects’ costs that are necessary to achieve higher level of environmental protection than the one resulting from the Union standards are eligible.

(34) The eligibility of the measure is limited to projects concerning activities in the supported sectors listed in the Annex to the UFG (hereinafter: ‘supported sectors’).

(35) Austria explained that the limitation of the measure to the supported sectors is justified by the fact that the supported sectors comprise the most polluting sectors in terms of GHG emissions. The supported sectors include sectors manufacturing iron and steel, glass, chemical products, paper, wood and food products ([17]). In 2019, these sectors were responsible for 83 % of GHG emissions of Austrian industry.

(36) Austria explained that the list of supported sectors does not include:

(a) oil, natural gas, refinery and energy sectors;

(b) construction sector, machine and vehicle construction sectors.

(37) Regarding the sectors listed in recital (36)(a), Austria considers that granting aid to these sectors under the measure would not be cost-effective, given that these sectors benefited from higher prices of energy from fossil fuels following the Russian military aggression against Ukraine.

([16]) As defined in Article 2(1) of Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast), OJ L 328 21.12.2018, p. 82.

([17]) Own energy consumption for the primary agricultural production is excluded from support under the measure.

(38) Regarding the sectors listed in recital (36)(b), Austria considers that grating aid to these sectors under the measure would not make an important and cost-effective contribution to the decarbonisation in the longer term, given that these sectors represent only an insignificant part of GHG emissions in Austria. Austria explained that in these sectors, smaller decarbonisation projects are to be expected and that the demand for State aid from such projects is in principle covered by other State aid measures based on the GBER (recital (9)).

(39) To be eligible under the measure, Austria requires that a project must:

(a) lead to a reduction of GHG emissions stemming directly from an existing reference installation operated in the supported sectors and emitting a minimum volume of 10 kt CO_2e per year;

(b) not use fossil fuels or lead to lock-in effects in fossil technologies;

(c) lead to improved energy efficiency of the supported installation as compared to the reference installation if the project uses a secondary energy carrier stemming from another energy carrier (e.g. hydrogen produced from electricity); and

(d) comply with the Taxonomy Regulation (EU) 2020/852 ([18]), taking into account the 'do no significant harm' principle.

(40) Austria submits that in case of projects with a product or heat and fuel benchmark ('EU ETS benchmark'), the target GHG emissions of the supported installation following the implementation of the project must be below the relevant EU ETS benchmark. If such reduction of the target GHG emissions is not possible to achieve due to higher process emissions of raw material inputs, the applicants must provide the Austrian authorities with detailed explanations demonstrating a threat to the security of supply in the internal market or excessive additional GHG emissions related to the transport of raw materials and using independently validated data to that end ([19]).

(41) In case of carbon capture and storage ([20])/carbon capture and use ([21]) ('CCS/CCU') projects:

([18]) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13.

([19]) Austria explained that such cases may concern processes using iron oxides stemming from regions with high levels of siderite.

([20]) Austria defined 'carbon capture and storage' as technologies that enable carbon dioxide to be captured from emissions from industrial installations (including process-inherent emissions), transported to a storage site and injected into an appropriate underground geological formation for permanent storage.

([21]) Austria defined 'carbon capture and use' as technologies that allow the capture and transport of carbon dioxide from emissions from industrial installations (including process-inherent emissions) to a place where the CO_2 is fully consumed or used.

(a) compliance with Implementing Regulation 2018/2066 ([22]) must be demonstrated;

(b) the captured GHG emissions must be predominantly process-based;

(c) there must be no alternative processes to efficiently reduce the GHG emissions; and

(d) the GHG emissions have to be captured and permanently stored in accordance with Directive 2009/31/EC ([23]).

(42) In case of projects using biofuels:

(a) it must be demonstrated that direct electrification, heat pump or hydrogen use is technically or economically ([24]) not possible;

(b) considering the limited sustainably available biomass potentials, it must be demonstrated that a sufficient amount of biofuel is available in Austria for the project; and

(c) the biofuels must comply with the sustainability and GHG emissions saving criteria set out in Directive (EU) 2018/2001 ([25]) and its implementing or delegated acts.

(43) In case of projects using renewable hydrogen, they must comply with the sustainability and GHG emissions saving criteria set out in Directive (EU) 2018/2001 and its implementing or delegated acts.

(44) In case of projects which comprise the production of renewable hydrogen for the project's own needs and use electricity from the grid to this end, which does not qualify as fully renewable under Article 27(3) of Directive (EU) 2018/2001, the 70 % GHG emissions savings required by Delegated Regulation (EU) 2023/1185 ([26]) must exclusively be determined by using the methods outlined in Article 6(b)

([22]) Commission Implementing Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and amending Commission Regulation (EU) No 601/2012, OJ L 334, 31.12.2018, p. 1.

([23]) Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006, OJ L 140, 5.6.2009, p. 114.

([24]) The use of technologies alternative to biofuels is to be considered economically not possible if the project using such alternatives shows a net present value lower than a project using biofuels.

([25]) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast), OJ L 328, 21.12.2018, p. 82.

([26]) Commission Delegated Regulation (EU) 2023/1185 of 10 February 2023 supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a minimum threshold for greenhouse gas emissions savings of recycled carbon fuels and by specifying a methodology for assessing greenhouse gas emissions savings from renewable liquid and gaseous transport fuels of non-biological origin and from recycled carbon fuels, OJ L 157, 20.6.2023, p. 20.

or Article 6(c) of the Annex of Delegated Regulation (EU) 2023/1185 (the so called 'marginal plant approach').

(45) In case of projects using waste as an energy carrier:

(a) the waste must fall under the definition of renewable energy sources under Article 2(1) of Directive (EU) 2018/2001; and

(b) the waste must be used only for the operation of installations falling under the definition of high-efficiency cogeneration under Article 2(34) of Directive 2017/27/EU ([27]).

(46) Austria explained that at least every three years, the environmental and economic effects of the measure will be assessed in order to review the design of the measure, including its eligibility conditions. Should Austria conclude as a result of this review, that the aid is no longer necessary for a category of beneficiaries, that category will no longer be eligible for aid under the measure ([28]).

2.9.2. Reference projects

(47) Austria provided six reference projects, which were selected based on the following data:

(a) submissions received during the public consultation that took place from 11 March 2024 to 24 April 2024 (see 2.12);

(b) submissions received during a call for expression of interest (*Interessensbekundung*) that was open from 25 May 2023 until 6 July 2023 ([29]);

(c) a study conducted by the Austrian Institute of Technology ([30]).

(48) Austria explained that the reference projects reflect the submissions received from the potential aid applicants (recitals (47)(a) and (47)(b)).

(49) The reference projects cover sectors producing iron, steel, chemicals, petrochemicals, glass and paper. Austria explained that this sectoral distribution of reference projects largely corresponds to the sectors with the biggest contribution to the Austrian GHG emissions.

(50) Austria explained the aspects of the reference projects' quantifications:

([27]) Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC, OJ L 315, 14.11.2012, p. 1.

([28]) This would not affect the entitlement to receive aid already granted (e.g. under a 10-year contract).

([29]) https://www.bmk.gv.at/dam/jcr:335459f5-573b-42cc-bd99-7994656233ef/Interessensbekundung_Betriebskostenfoerderung_UA.pdf

([30]) https://www.klimafonds.gv.at/wp-content/uploads/sites/16/Studie-transform.industry.pdf

(a) The projected costs of the reference projects and the expected GHG emissions reduction are based on the data sources listed in recital (47) and on the historical data concerning the energy prices.

(b) The revenues from sales of goods are equal in both the factual and counterfactual scenarios for each reference project.

(c) The EU ETS costs are based on an independent prediction ([31]) and are deducted as revenues from the reference projects' net extra costs.

(d) The weighted average cost of capital (WACC) is based on an average value substantiated by relevant market data and is applied over the depreciation periods.

(e) The EUR per tonne of CO_2 abated is calculated as a simulation of bids necessary to cover the net extra costs of the reference projects, assuming that the reference projects deliver 100 % of the expected GHG emissions reduction.

2.9.2.1. Reference projects – investment grants

(51) Austria provided the following reference projects regarding the investment grants:

(a) Heat generation from biomass waste in fluidised bed furnace (Reference project E): Austria submitted that many production processes currently generate biomass waste, which is mostly unused. In particular, the wood, paper and printing, and food sectors generate a substantial amount of unused biogenic residues. A fluidised bed furnace is a technology that can be used to utilise these materials. Its high thermal efficiency can replace natural-gas-fired steam boilers. In addition, in combination with flue gas cleaning, the technology provides for lower operating costs than the traditional technology. However, the reduction in operating costs is currently not sufficient to compensate for the high investment costs. In the counterfactual scenario, the production processes would continue to use natural gas.

(b) Heat generation for the production of chemicals (Reference project F): In the chemical industry, both high-temperature and low-temperature processes are required for production. To be able to provide sufficient heat at certain process temperatures, the use of incineration plants is well established. The required heat is generated by natural-gas-fired boilers. For the high-temperature range, i.e. process steam, gas-fired boilers are used because the burner technologies are established and therefore reliable and natural gas is inexpensive and easy to handle. Another possibility is the combination of using renewable energy in the form of electricity as a renewable energy source in an electrode boiler system and storing the excess renewable energy in the form of heat in a high-temperature storage system. This combination allows continuous heat production through the use of intermittently produced renewable energy, thereby contributing to decarbonisation. This design (electrode boiler and heat storage) can therefore replace a gas boiler. Renewable energy sources are comparatively

([31]) EU ETS Market Outlook 1H 2024 by BloombergNEF.

more expensive and less established, which is why in the counterfactual scenario, fossil-based technologies would continue to be used or even reinvested in.

(c) Heat generation for the treatment of materials (Reference project G): the non-ferrous metals, iron and steel, and the mineral and glass production and processing sectors involve key production processes during which the products need to be treated with high-temperature heat (for processes that require temperatures of up to 1200 °C). The examples of these processes are sintering (steel manufacturing), hardening (metal production), brick burning, or the melting of metals and glass. The traditional way to generate heat is to burn natural gas, and in some cases, coal. Instead, electric heat generation can be used. Through electrification, the energy efficiency increases by up to 50 % and the direct CO_2 emissions are avoided. Nevertheless, electricity from renewable sources is still more expensive than solid fossil fuels, and the investment would not be sufficiently amortised without an investment grant. The counterfactual scenario for this reference project is the continued use of emission-generating fossil fuels.

(52) Austria submits that in the absence of aid, the reference projects E, F and G would not be executed. As demonstrated in Table 1 below, all these reference projects evidence net extra costs as compared to their respective counterfactual scenarios.

Reference project	**Average yearly CO_2e emission savings compared to the counterfactual scenario (in kt of CO_2e)**	**Investment costs (in million EUR)**	**Yearly savings on the avoided EU ETS costs (in million EUR)**	**Expected subsidy amount ([32]) (in EUR/tonne of CO_2e avoided)**	**Net extra cost as compared to the counterfactual scenario (in million EUR)**
E	50	100	5	500	25.6
F	16.8	50	1.5	713	12
G	32	55	3.2	980	31.6

Table 1: Investment grant – reference projects.

2.9.2.2. Reference projects – transformation grants

(53) Austria provided the following reference project regarding the transformation grants:

(a) Electrification of an industrial furnace (Reference project A): this reference project covers the electrification of industrial furnaces. Process heat can be provided by electrification of industrial furnaces or steam generation. The technology has a decarbonization potential of up to 50 % of the total industrial energy demand, especially in processes that currently use coal or

([32]) The expected subsidy amount per tonne of CO_2e corresponds to the subsidy amount needed to conduct the reference projects in addition to the incentive of the EU ETS.

natural gas, and in cases where the heat pumps cannot meet the process demand alone (minerals, glass, steel, metal processing, paper, wood, non-ferrous metals, and machine construction sectors). The counterfactual scenario of this project is the continued use of natural gas and other fossil fuels.

(b) Conversion of a blast furnace to a hydrogen-fired boiler/conversion unit (Reference project B): this reference project showcases the use of hydrogen as a reducing agent instead of coal for a chemical reduction of iron ore pellets (iron and steel manufacturing sectors). The technology has the potential to substantially reduce GHG emissions. The technology bears high investment and operating costs. In the counterfactual scenario, only a part of technology could be replaced by using an electric arc furnace, which would result in a much smaller reduction of GHG emissions (up to 30 %).

(c) Carbon capture ('CC') and processing for further use or transport (Reference project C): this reference project covers the construction of a CC installation in a cement plant using amine scrubbing (minerals and glass processing sectors). Amine scrubbing is a CC technology that removes the CO_2 from flue gases after combustion, using an amine solvent as an absorber. The technology is already advanced and can lead up to a 90 % separation efficiency. The use of the CC requires high investment and operating costs. The counterfactual scenario for this reference project is a partial reduction of only the emissions stemming from the use of fossil fuels as energetic input (up to 40 % less CO_2 emissions) through substituting the energy sources.

(54) Austria submitted that in the absence of aid, the reference projects A would not be executed, and that the reference projects B and C would be executed in a narrower scope and with more limited environmental benefits. As demonstrated in Table 2 below all these reference projects evidence net extra costs as compared to their respective counterfactual scenarios.

Reference project	**Average yearly CO_2e emission savings compared to the counterfactual scenario (in kt of CO_2e)**	**Investment costs (in million EUR)**	**Additional yearly operating costs as compared to the counterfactual scenario (in million EUR)**	**Yearly savings on the avoided EU ETS costs (in million EUR)**	**Expected subsidy amount ([33]) (in EUR/tonne of CO_2e avoided)**	**Net extra cost as compared to the counterfactual scenario (in million EUR)**
A	10.8	15	2.9	1	314	34.1
B	14.4	30	6.3	1.3	561	80.7
C	317	96	37	27.2	61	192.6

Table 2: Transformation grant – reference projects.

([33]) The expected subsidy amount per tonne of CO_2e corresponds to the subsidy amount needed to conduct the reference projects in addition to the incentive of the EU ETS.

2.9.3. Allocation procedure

(55) Austria submits that the aid will be allocated based on a competitive bidding process open to all undertakings and eligible projects as described in Sections 2.7 and 2.9.1 ([34]). Separate auctions will be organised for the investment grants and for the transformation grants. Austria confirms that the competitive bidding process will be open, clear, transparent and non-discriminatory, based on objective criteria, defined *ex ante* in accordance with the objective of the measure and minimising the risk of strategic bidding.

(56) The applicants will be ranked based on the following selection criteria:

(a) the funding efficiency, which is represented by the amount of State aid requested per unit of environmental protection (EUR per tonne of GHG emissions saved) and weighs at least 70 % of the total achievable score; and

(b) other qualitative criteria set out by the aid granting authority and weighting up to 30 % of the total achievable score.

(57) The other qualitative criteria will be evaluated by an independent jury consisting of experts. The other qualitative criteria include project maturity, economic and ecological sustainability gathering amongst others, the degree of project's innovativeness and efficient use of resources and energy. Austria explained that the other qualitative criteria should promote projects having additional positive environmental effects, swifter implementation times or which are more energy efficient or innovative.

(58) For each auction, the results of the quantitative and qualitative criteria are normalised, weighted accordingly (recital (56)) and summed for the results, based on which the aid applicants will be ranked. Until the budget of a given auction is exhausted, only the applicants with the highest results will be granted the aid.

(59) The selection criteria will be published at least four months in advance of the deadline for submitting applications.

(60) Ahead of each auction, the aid granting authority will determine:

(a) the minimum reduction of GHG emissions that would have to be achieved by each project;

(b) the maximum allowed deviation from the volume of target GHG emissions stipulated in the grant agreement ([35]);

(c) the minimum amount of GHG emission that must be emitted by the reference installation for a project to be eligible;

([34]) Austria submits that the bidding process is open, clear, transparent and non-discriminatory, based on objective criteria, defined ex ante in accordance with the objective of the measure and minimising the risk of strategic bidding.

([35]) In all calls, the maximum allowed deviation will not be higher than 30 %, meaning that each project will have to achieve at least 70 % of the target reduction of GHG emissions.

(d) the maximum aid intensity in case of investment grants ([36]);

(e) the maximum aid amount per project;

(f) the budget of the auction; and

(g) the maximum amount of aid per tonne of GHG emissions avoided (maxZ, for more details see recitals (76) and (80)).

(61) Austria explained that the minimum reduction of GHG emissions that would have to be achieved by each project will be determined based on surveys that will be conducted each year over the duration of the measure. In all auctions, the minimum required reduction of GHG emissions will amount to at least 60 % as compared to the reference installation or at least to 50 kt CO_2e.

(62) Austria explained that the criterion of the minimum amount of GHG emissions that must be emitted by the reference installation for a project to be eligible will be determined based on the data collected on the emissions of industrial installations. Austria explained that this criterion should ensure that State aid under the measure is allocated to the most emissions-intensive installations. Austria explained that the installations emitting less than the minimum amount of GHG emissions determined by Austria for the measure will in principle be able to take advantage of other measures (recital (9)).

(63) Austria explained that the maximum amount of aid per tonne of GHG emissions avoided and the maximum aid amount per project will be determined based on the experience and outcomes of previous auctions and the surveys that Austria will conduct each year of the measure's duration.

(64) Austria explained that the fact that the auctions will be open to all eligible undertakings would reduce the probability of strategic bidding.

(65) Austria explained that the budget allocation for the first auctions was determined based on the public consultation and the expression of interest in such a way that the allocated budget is smaller than the expected total funding needs of all interested projects. To similarly ensure the competitiveness of subsequent auctions, Austria will conduct surveys each year of the measure's duration to assess the demand for State aid as well as consider the experience and outcomes of previous auctions to determine the appropriate budget allocation.

(66) Austria explained that in case a particular auction does not receive a sufficient bid volume and the auction is therefore undersubscribed, the deadline for submissions may be extended or the minimum eligibility requirements (such as the minimum size of the reference installation) may be reduced to increase bid volume and ensure that the auction is not undersubscribed. Additionally, an ongoing auction can be discontinued in case not enough applications are being received.

(67) Austria provided bid simulations based on information gathered from potential beneficiaries in the public consultation. These simulations demonstrate that bidding

([36]) The maximum aid intensity will be applied to the investment costs indicated in the aid application. With the final statement of accounts, it will be verified that the aid requested does not exceed the maximum aid intensity.

is expected to be competitive given that in the simulation not all applicants are expected to succeed in the auction. Moreover, in the simulation, the abatement costs of potential beneficiaries from different sectors are sufficiently close to each other or overlapping which disincentivises strategic bidding.

(68) There will be no adjustments to the outcomes of the competitive bidding process.

(69) The aid applications are to be submitted before the start of works to the handling agency. Austria confirmed that the start of works is to be understood in line with point 19(82) CEEAG.

(70) The aid applications must be submitted to the handling agency and include:

(a) a filled in electronic application form that will be made available by the handling agency and should include at least the information on the applicant's name, project's description, project's site, system boundaries of the installation, including a description of the reference installation, aid requested for the project and planned project's costs;

(b) documents proving that the aid applicant complies with all the eligibility conditions of the measure;

(c) opinion of an auditor or other technical expert confirming the plausibility of the targeted GHG emissions; and

(d) the transformation plan describing how the sites in Austria that are in functional link with the supported installation will be decarbonised ([37]).

(71) Austria will enter into granting agreements with the beneficiaries. The granting agreements will regulate in particular:

(a) the schedule of aid disbursements;

(b) the deadlines for the implementation of a project;

(c) the deadlines for providing the evidence regarding reductions of GHG emissions; and

(d) the deadlines for providing the evidence regarding energy consumption.

(72) At the time of the aid application, the applicants will be requested to provide a bid bond of EUR 100 000. The bid bond will not be returned in case the projects are not implemented within the deadline determined in the granting agreement.

(73) Austria explained that a prolongation of the deadlines for the implementation of a project will be possible only in exceptional cases caused by factors outside the control of the beneficiary.

(74) Austria explained that the granting agreement will regulate in which situations the aid may be suspended or recovered. The beneficiaries are monitored for a period of

([37]) The transformation plan must describe all the steps necessary to achieve a GHG emissions reduction of at least 90 % on the relevant sites.

10 years (120 months) from the date on which the supported installation is operational and have to fulfil the conditions laid out in the grant agreement (recital (71)) over this period of time. The aid will be recovered in particular if within a certain period of time of the relevant occurrence and verification by the granting authority:

(a) the beneficiary does not comply with eligibility conditions (24 months);

(b) the beneficiary did not achieve the minimum required reduction of GHG emissions (24 months);

(c) the beneficiary does not provide evidence or information required by the aid granting authority or the handling agency (24 months);

(d) the project is not implemented within the agreed deadline (24 months).

2.9.4. Aid amount

(75) The amount of aid to be paid out will be determined in a different way for the investment grants and for the transformation grants.

2.9.4.1. Aid amount – investment grants

(76) The aid amount for investment grants will be paid on the basis of the bids submitted by applicants during the competitive bidding process and up to a maximum of the capital costs of the supported installation and limited by the maximum aid intensity (recital (60)(d)), the maximum amount of aid per project (recital (60)(e)) and the maximum amount of aid per tonne of GHG emissions avoided (recital (60)(g)).

2.9.4.2. Aid amount – transformation grants

(77) Austria explained that the transformation grants cover the operating costs resulting from the operation of the supported installation and, to a lesser extent, the investment costs.

(78) The aid will be granted for a period of up to maximum 10 years from the date on which the supported installation is operational.

(79) Each year, the aid amount will be calculated as a minimum ('Min') of the results of the three following formulas:

(a) $\left(Min\{maxZ; GebP\} - (ETS - refETS)\right) if > 0 * Min\{(refTHG - tatsTHG) min\ x\%; zielTHG\}$ ("first formula")

(b) $Min\{sTZ; \frac{maxZ * zielTHG}{ernEnV}\} * Min\{tatsEnV; ernEnV\}$ ("second formula")

(c) $ZK * (ernbEP - refEP)\ if > 0 * Min\{tatsEnV; ernEnV\}$ ("third formula")

(80) The table below provides explanations about the variables applied in the formulas above.

Variable	Description	Unit
maxZ	Maximum aid amount per tonne of GHG emissions established per auction for all projects by the aid granting authority.	EUR / tonne GHG emission
GebP	Bid submitted by the beneficiary in an auction.	EUR / tonne GHG emission
refTHG	Average yearly GHG emissions of the reference installation in a period of 10 years preceding aid application.	Tonne GHG emission
tatsTHG	GHG emissions of the installation in the last year.	Tonne GHG emission
zielTHG	Target GHG emission reduction as submitted by the beneficiary at the time of the aid application.	Tonne GHG emission
ETS	Average price of EU ETS in the last year.	EUR / tonne GHG emission
refETS	Average price of EU ETS at the time of aid application.	EUR / tonne GHG emission
sTZ	Specific transformation surcharge calculated by the aid granting authority, equal to yearly average of State aid requested in the aid application and divided by *ernEnV*.	EUR / MWh
tatsEnV	Consumption of the energy from renewable energy sources in the supported installation in the last year.	MWh
ernEnV	Prognosed average yearly consumption of the energy from renewable energy sources in the supported installation as submitted by the beneficiary at the time of aid application.	MWh
ZK	Maximum surcharge for non-energy specific transformation costs.	%
ernbEP	Average price of the energy from renewable energy sources used in the supported installation in the last year.	EUR / MWh
refEP	Last year's average price of the energy from fossil fuels previously used in the reference installation.	EUR / MWh
min x%	Condition to deliver at least a certain share of the target GHG emissions (recital(60)(b)). Should the project not reach at least the min x% level, no aid will be disbursed.	Condition

Table 3: Description of the variables used to calculate yearly aid amount of the transformation grant.

(81) The result of the first formula is the bid submitted by the applicant (GebP), capped at the maximum amount of aid per tonne of GHG emissions determined by the aid granting authority (maxZ), multiplied by the achieved reduction of GHG emissions established by comparing the GHG emissions of the supported installation with those of the reference installation (refTHG –tatsTHG) capped at the annual target GHG emissions reduction as submitted at the time of aid application (zielTHG).

(82) Austria explained that the first formula is designed to disburse the aid at a maximum of the beneficiaries' bids per tonne of GHG emissions reduction while capturing the costs savings of the beneficiaries achieved thanks to avoided GHG emissions by considering the development of the prices of the EU ETS, which are deducted from the bid before multiplying it with the GHG emission reductions.

(83) Austria explained that the second formula and the third formula are safeguards limiting the disbursement of the aid in case of developments described in recitals (84) and (86). It is not possible that the aid to be disbursed increases as a result of applying the second or the third formula.

(84) Austria explained that the second formula puts the bid in relation to the energy consumption and ensures that the transformation grant will be limited to the energy consumption as projected at the time of the aid application. In case the supported installation consumes more energy than projected at the time of aid application, the amount of the transformation grant will not increase.

(85) Technically, the result of the second formula is the lower of either the consumption of the energy from renewable energy sources in the supported installation in the last year (tatsEnV) or the prognosed average yearly consumption of the energy from renewable energy sources in the supported installation as submitted at the time of aid application (ernEnV) multiplied by the lower of:

(a) either the specific transformation surcharge (sTZ);

(b) or the maximum amount of aid per tonne of GHG emissions determined by the aid granting authority (maxZ), multiplied by the annual target GHG emissions reduction as submitted at the time of aid application (zielTHG) and divided by the prognosed average yearly consumption of the energy from renewable energy sources in the supported installation as submitted at the time of aid application (ernEnV).

(86) Austria explained that the third formula ensures that the transformation grants will no longer be disbursed in case the energy from renewable sources is considerably cheaper in the future as compared to the energy from fossil fuels used previously in the reference installation. It will also limit the amount of the transformation grant to the price difference in the energy from renewable sources and the energy from fossil fuels, corrected by the maximum surcharge for non-energy specific transformation costs.

(87) Technically, the result of the third formula is the surcharge for the non-energy specific transformation costs (ZK) multiplied by:

(a) the difference in the average prices of energy from renewable sources used in the supported installation and of the energy from fossil fuels used in the reference installation (ernbEP – refEP); and

(b) the lower of either the consumption of the energy from renewable energy sources in the supported installation in the last year (tatsEnV) or the prognosed average yearly consumption of the energy from renewable energy sources in the supported installation as submitted at the time of aid application (ernEnV).

(88) Austria explained that each year, for each beneficiary of the transformation grant, a calculation based on the three formulas describe in recital (79) will take place. Only the amount corresponding to the lowest result of the three above formulas will be disbursed. The calculation does not result in negative amounts of aid which would have to be returned to Austria.

2.10. Compliance with the relevant provisions of Union law

(89) Austria confirms that the measure does not by itself, or by the conditions attached to it or by its financing method constitutes a non-severable violation of Union law.

2.11. Reduction of GHG emissions

(90) Based on the results of the public consultation, Austria provided projections explaining that the measure has a reduction potential of at least 10.5 million tonnes of GHG emissions by 2040. The GHG emissions from the Austrian manufacturing sector in 2040 projected in a scenario, in which no additional measures to decarbonise the manufacturing sector take place, amount to 25.87 million tonnes per year. The reduction potential of the measure amounts therefore to 59 %.

(91) The reduction of GHG emissions will be measured per project based on the methodology from the Innovation Fund by comparing the annual GHG emissions of the supported installation with historical annual average GHG emissions of the reference installation. If certain process steps emitting GHG emissions will be displaced from the site of the supported installation to another site, the GHG emissions from those displaced process steps will be taken into account when calculating the reduction of GHG emissions resulting from a project.

(92) Austria explained that per auction, all projects will be required to achieve a certain level of the GHG emissions reduction. The GHG emissions reduction targets per project will be part of the granting agreement (recital (71)(c)). Austria explained that per auction it will determine the maximum level of deviation from the project specific GHG emissions reduction that would not lead to consequences described in recital (74).

(93) Austria explained that, in principle, the supported installations will be required to achieve a reduction of GHG emission below the EU ETS benchmark (recital (40)).

(94) Austria explained that all supported installations must use only energy from renewable energy sources (recital (31)).

(95) To verify that no GHG emissions are displaced from the industrial sector towards production of grid electricity, Austria will request evidence such as supply contracts with an energy supplier, which is labelled as ‘supplier of green electricity’ in the repository of e-control ([38]) or confirmations of power purchase from renewable energy.

(96) Austria explained that the measure is expected to increase the demand for electricity and hydrogen. To that end, Austria provided data concerning:

([38]) Unsere Energie gehört der Zukunft - E-Control

(a) projected electricity demand stemming from the measure;

(b) projected hydrogen demand stemming from the measure;

(c) emission intensity of the Austrian electricity grid in a scenario with further uptake of renewable electricity production ([39]) and a conservative ([40]) scenario.

(97) Based on the data described in recital (96) and assuming a carbon intensity of hydrogen amounting to 28 gCO_2e/MJ ([41]), by 2040 the measure would lead to:

(a) 2.94 million tonnes indirect GHG emissions in the scenario with further uptake of renewable electricity production;

(b) 3.52 million tonnes indirect GHG emissions in the conservative scenario.

(98) To verify that no emissions are displaced regarding biomass, Austria will request certificates confirming compliance with the requirements described in recital (42)(c).

(99) To verify that no emissions are displaced regarding hydrogen, Austria will request certificates confirming compliance with the requirements described in recital (43).

2.12. Public consultation

(100) Austria organised a public consultation from 11 March 2024 until 24 April 2024 and requested written feedback from interested undertakings and interest groups based on the information published on the website regarding the measure ([42]). The feedback was taken into account to establish the final design of the measure.

(101) The public consultation included information about the following elements:

(a) eligibility;

(b) method to estimate the subsidy per tonne of CO_2 emissions avoided per project;

(c) proposed use and scope of competitive bidding processes and any proposed exceptions;

([39]) This scenario concerns modelling of the Austrian *Umweltbundesamt* based on the measures planned under the Austrian NECP (referred to as scenario with additional measures or "WAM"). In this scenario, the emissions intensity of the Austrian electricity grid is projected to reach 30.3 tCO_2/GWh by 2030, further reducing to 17.5 tCO_2/GWh by 2040.

([40]) The conservative scenario assumes no improvement of the emissions intensity of the Austrian electricity grid compared to a 2022 baseline. In this case the emissions intensity of the electricity grid remains at 97.7 tCO_2/GWh throughout the lifetime of the measure.

([41]) This is a conservative projection, in which the renewable hydrogen under the measure achieves but does not significantly exceed the 70 % GHG emission reduction relative to the fossil comparator of 94 gCO_2 e/MJ required by Delegated Regulation (EU) 2023/1185.

([42]) Transformation Industrie (bmk.gv.at)

(d) parameters for the aid allocation process including for enabling competition between different types of beneficiary;

(e) assumptions informing the quantification used to demonstrate the incentive effect, necessity and proportionality; and

(f) proposed safeguards to ensure compatibility with the Union's climate targets.

(102) Austria received nineteen submissions from undertakings and interest groups, which commented on the measure based on the draft of the funding guidelines. A summary of the received submissions was published on the website of the aid granting authority ([43]). In general, the measure encompassing the investment and transformation grant was welcomed by the respondents and viewed as essential to achieving climate neutrality and other national and European climate and energy goals.

2.13. Cumulation

(103) Investment grants may not be cumulated with transformation grants and vice versa under the measure.

(104) Austria explained that while State aid under the measure may be awarded concurrently with other State aid, de minimis aid ([44]) or Union funding, such cumulation will be assessed to prevent overcompensation. The applicants are obliged to inform the handling agency of all intended, running or completed applications for public support. To that end, each aid application under the measure must include a legally binding declaration that the information provided is correct and complete. The handling agency will verify the correctness and completeness of the received information.

(105) Austria explained that the consideration of any other funding awarded to a project ensures that any cumulation does not lead to overcompensation and that it will be ensured that any additional public funding awarded to a project does not exceed the level of the bid submitted for a project at the time of aid application.

2.14. Transparency

(106) The legal bases of the measure include a requirement for the granting authority to ensure compliance with the transparency requirements laid down in Section 3.2.1.4 CEEAG. The relevant data of the measure will be published on a national website (https://transparenzportal.gv.at/tdb/tp/startpage) and on the Commission's transparency register. Austria confirmed that the full text of the Funding Guidelines will be published. Austria confirmed that the information on each individual aid award granted under the measure and exceeding EUR 100 000 will be published within six months from the date the aid was granted. The information will be available for at least ten years from the date on which the aid was granted.

([43]) https://www.bmk.gv.at/themen/klima_umwelt/klimaschutz/ufi/industrie.html

([44]) Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid, OJ L, 2023/2831, 15.12.2023.

2.15. Ex-post evaluation

(107) Austria notified, together with the measure, a draft evaluation plan covering the measure and taking into account the best practices recalled in the Commission Staff Working Document on a Common methodology for State aid evaluation ([45]).

(108) The evaluation plan describes the objectives of the measure subject to evaluation, as outlined in Section 2.1, and comprises evaluation questions that address the direct and indirect effects of the measure as well as the proportionality and appropriateness of the aid.

(109) Regarding the direct effects, the plan investigates the impact of the measure on the beneficiaries by considering the incentive effect, the achieved GHG emission reductions, the use of renewable energy sources, the contribution to significant technological developments and the competitive position of the undertakings.

(110) As regards the indirect effects, the plan assesses the measure's effect on indirect GHG emissions and whether the measure led to additional decarbonisation measures.

(111) The proportionality and appropriateness of the aid are assessed by examining the cost-effectiveness of the measure and whether the measure's objectives could have been achieved through alternative or existing aid instruments.

(112) The evaluation plan identifies and describes the result indicators corresponding to the evaluation questions that will be used to assess the degree of achievement of the measure's objectives.

(113) Austria intends to assess all result indicators using quantitative methods, in particular 'Difference-in-Differences' (DID) regression analysis, as described in the Commission Staff Working Document ([46]). In case the sample of projects is sufficiently large, a Regression Discontinuity Design (RDD) will be employed as well.

(114) To prevent selection bias, the analysis will compare projects that successfully applied for aid (treatment group) with those that applied to the measure but were not selected (control group).

(115) The data used for the evaluation will be collected from the applicants by the handling agency. Data that is not contained in the application materials will be obtained through annual progress reports (for successful projects) or surveys of applicants (for unsuccessful projects).

(116) Austria confirmed that it will submit an interim evaluation report to the Commission by 30 September 2026. This report will contain the available early data and statistics on the implementation of the measure.

([45]) Commission Staff Working Document on Common methodology for State aid evaluation, 28.5.2014, SWD(2014) 179 final.

([46]) Commission Staff Working Document on Common methodology for State aid evaluation, 28.5.2014, SWD(2014) 179 final.

(117) Austria confirmed that it will submit the final evaluation report to the Commission by 31 March 2030, i.e., 9 months before the expiry of the measure.

(118) Austria confirmed that the evaluation plan, the interim and final evaluation reports will be published on the website of the Federal Ministry for Climate Action and Energy ([47]).

(119) Austria confirmed that the evaluation will be conducted by an evaluation body independent of the aid granting authority in accordance with the criteria laid down in the evaluation plan. The members of the evaluation body are clear of any potential conflict of interest.

(120) Austria committed to inform the Commission of any difficulty identified during the evaluation process that could significantly affect the implementation of the agreed evaluation plan, in order to identify and agree on possible solutions.

(121) Austria confirmed that it will suspend the application of the measure with immediate effect if the final evaluation report is not submitted in good time and sufficient quality or is otherwise not in compliance with the approved evaluation plan, and that any subsequent aid measure with a similar objective must take into account the results of the evaluation.

3. ASSESSMENT OF THE MEASURE

3.1. Existence of State aid

(122) For a measure to be categorised as State aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled:

(a) First, the measure must be imputable to the State and financed through State resources.

(b) Second, it must confer an advantage on its recipients.

(c) Third, that advantage must be selective in nature.

(d) Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

(123) The measure is imputable to the State since it is administered by the State authorities, namely the aid granting authority (recital (17)) and it is based on Austrian legal acts (recital (16)). It is financed through State resources since it is financed by the federal budget (recital (20)).

(124) The measure confers on the beneficiaries an advantage which they would not have obtained under normal market conditions (recital (14)).

(125) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, i.e. only undertakings and projects that are eligible as set out in Section 2.9.1 and are awarded aid in the competitive bidding process when

([47]) https://www.bmk.gv.at/themen/klima_umwelt/klimatschutz/ufi/industrie.html

allocating aid as set out in Section 2.9.3. It only favours undertakings active in the supported sectors (recital (34)), which are awarded aid in the competitive bidding process (recital (55)), excluding some industrial sectors (recital (36)), the sectors providing services or the undertakings from the supported sectors, which are not awarded aid in the competitive bidding process. The undertakings in a comparable legal and factual situation within the sectors excluded from the measure or those from the supported sectors that are not awarded aid in the competitive bidding process, considering that all economic operators should in principle cover their own costs, will not receive aid and therefore will not receive the same advantage. The measure is also selective since it favours the production of certain goods. The budget of the measure is limited (recital (19)) and therefore it will not be available to all eligible undertakings in the supported sectors.

(126) The measure is liable to distort competition since it strengthens the competitive position of its beneficiaries by providing the beneficiaries with direct grants for the decarbonisation of their production processes. It also affects trade between Member States since the beneficiaries are active in sectors in which intra-EU trade exists.

(127) Therefore, the measure constitutes State aid within the meaning of Article 107(1) TFEU. Austria does not contest this conclusion.

3.2. Lawfulness of the measure

(128) By notifying the measure before putting it into effect, Austria respected its obligation under Article 108(3) TFEU (recitals (1) and (21)).

3.3. Compatibility

(129) The compatibility of the measure is assessed based on Article 107(3)(c) TFEU. On the basis of Article 107(3)(c) TFEU, the Commission may consider compatible with the internal market State aid to facilitate the development of certain economic activities within the Union (positive condition), where such aid does not adversely affect trading conditions to an extent contrary to the common interest (negative condition).

(130) The measure aims at promoting certain economic activities in a manner that reduces GHG emissions and increases the level of environmental protection as described in Section 2. The supported activities fall within the scope of Section 4.1.2.2 CEEAG ("Other aid for the reduction and removal of greenhouse gas emissions and energy efficiency"), since the measure provides support to projects other than for renewable energy leading to a reduction of GHG emissions from industrial processes (recital (30)). The measure concerns aid for technologies that contribute to the reduction of GHG emissions, including aid for CCS/CCU, aid for the reduction or avoidance of GHG emissions resulting from industrial processes and aid to support electrification using renewable electricity (points 83 and 88 CEEAG).

(131) The Commission has therefore assessed the measure based on the general compatibility provisions in Section 3 CEEAG and the specific compatibility criteria for aid for the reduction and removal of greenhouse gas emissions, including through support for renewable energy and energy efficiency in Section 4.1 CEEAG.

(132) As explained in recital (27), the measure is not open to undertakings in difficulty or undertakings that are subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market. Therefore, the Commission concludes that the measure complies with points 14 and 15 CEEAG.

3.3.1. Positive condition: the aid must facilitate the development of an economic activity

3.3.1.1. Contribution to the development of an economic activity

(133) Article 107(3)(c) TFEU provides that the Commission may declare compatible '*aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest*'. Therefore, aid compatible under Article 107(3)(c) TFEU must contribute to the development of a certain economic activity or of certain economic area ([48]).

(134) Point 23 CEEAG states that, when notifying aid, Member States must identify the economic activities that will be facilitated as a result of the aid and how the development of those activities is supported.

(135) Austria indicated that the measure will support activities leading to a reduction of GHG emission in the supported sectors (recitals (34) to (38)), therefore facilitating the development of certain economic activities (namely the manufacturing of goods included in the list of the supported sectors in an environmentally-friendly way). Therefore, the measure complies with points 23 and 24 CEEAG.

(136) Point 25 CEEAG states that Member States must describe if and how the aid will contribute to the achievement of objectives of Union climate policy, environmental policy and energy policy and more specifically, the expected benefits of the aid in terms of its material contribution to environmental protection, including climate change mitigation, or the efficient functioning of the internal energy market.

(137) Austria submitted that the measure will reduce the national GHG emissions; that it is expected to reduce the GHG emission by a total of 10.5 million tonnes by 2040 (recital (90)); and therefore that it directly contributes to the objectives of the Austrian and Union climate policy as described in recitals (4) to (11). Therefore, the measure complies with point 25 CEEAG.

(138) The Commission therefore considers that the measure facilitates the development of an economic activity, namely the manufacturing of goods included in the list of the supported sectors in an environmentally friendly way by reducing the GHG emissions stemming directly from the industrial processes, and complies with the requirements of Section 3.1.1 CEEAG

3.3.1.2. Incentive effect

(139) As stated in point 26 CEEAG, State aid can only be considered to facilitate an economic activity if it has an incentive effect. An incentive effect occurs when the

([48]) Judgment of 22 September 2020, *Austria* v *Commission*, C-594/18 P, EU:C:2020:742, paragraphs 20 and 24.

aid induces the beneficiary to change its behaviour towards the development of an economic activity pursued by the aid, and if this change in behaviour would otherwise not occur without the aid ([49]).

(140) Point 27 CEEAG states that the aid must not support the costs of an activity that the aid beneficiary would anyhow carry out and must not compensate for the normal business risk of an economic activity.

(141) To demonstrate the presence of an incentive effect, point 28 CEEAG states that proving an incentive effect entails the identification of the factual scenario and the likely counterfactual scenario in the absence of aid. Furthermore, point 28 CEEAG requires the incentive effect to be demonstrated through a quantification referred to in Section 3.2.1.3 CEEAG. Point 52 CEEAG explains that a counterfactual scenario may consist in the beneficiary not carrying out an activity or investment. Where evidence supports that this is the most likely counterfactual scenario, the net extra cost may be approximated by the negative NPV of the project (hence, implicitly assuming that the NPV of the counterfactual is zero).

(142) Austria states that, in the factual scenario the reference projects concerning decarbonisation of the industrial production processes would be performed as described in recitals (51) and (53). Austria submitted that the most likely counterfactual scenario for the reference projects consists in not carrying out the investments to transition the manufacturing processes from fossil to renewable energy sources (reference projects A, E, F and G) or in carrying out such investments in a much smaller scale (reference projects B and C). This is corroborated by the net extra costs of the reference projects (Table 1 Table 2). The quantifications of the net extra costs of the reference projects as compared to the counterfactual scenarios (Table 1 and Table 2) show that the reference projects would not be carried out without State aid or would be carried out only in a narrower scope with more limited environmental benefits.

(143) Austria has identified six reference projects, as described in Section 2.9.2, which the Commission has reviewed. The reference projects have been identified based on submission from the potential applicants collected during the public consultation and the expression of interest, as well as based on the study conducted by the Austrian Institute of Technology (see recital (47)). The Commission considers the reference projects representative. The counterfactual scenarios provided for the six reference projects are credible considering the conditions currently prevalent on the relevant markets.

(144) As shown in recital (50), Table 1 and Table 2, Austria has provided the calculations of the NPV for each of the reference projects and the main assumptions underlying those calculations. The Commission notes that the calculations include all main investments costs and operating costs of the projects. Austria has also duly justified the level of the WACC used (recital (50)(d)). The underlying calculations are based on credible sources (recital (50)) and are plausible. The calculations and cost estimates for the six reference projects were carried out at the same and sufficient level of accuracy.

([49]) See in that sense Section 3.1.2 CEEAG, as well as judgment of 22 September 2020, *Austria* v *Commission*, C-594/18 P, EU:C:2020:742, paragraphs 20 and 24.

(145) As a result of these calculations, without the aid and under normal market conditions, the NPV of the reference projects is negative and corresponds to the net extra costs as detailed in Table 1 and Table 2 so that it is very unlikely that any projects would be carried out without aid, since they would not be financially viable.

(146) The measure therefore complies with points 26 and 28 CEEAG.

(147) Point 29 CEEAG states that aid does not normally present an incentive effect in cases where works on the projects started prior to the aid application.

(148) The aid application must precede the start of works (recital (69)). The measure therefore complies with point 29 CEEAG.

(149) Point 30 CEEAG states that the aid application may take various forms, including for example a bid in a competitive bidding process.

(150) The aid application corresponds to a bid in competitive bidding process (recital (55)), which includes the minimum information required in point 30 CEEAG (see recital (70)). The measure therefore complies with point 30 CEEAG.

(151) Point 32 CEEAG states that aid granted merely to cover the cost of adapting to Union standards has, in principle, no incentive effect.

(152) The Commission reviewed the costs of the reference projects and Austria submitted that costs of merely adapting to Union standards are not eligible (recital (33)). The measure therefore complies with point 32 CEEAG.

(153) The Commission therefore considers that the measure complies with Section 3.1.2 CEEAG and has an incentive effect.

3.3.1.3. No breach of any relevant provision of Union law

(154) Point 33 CEEAG states that State aid cannot be declared compatible with the internal market if the supported activity, the aid measure, or the conditions attached to it entail a violation of relevant Union law ([50]).

(155) Austria confirmed that the measure would not involve any breach of relevant Union law (recital (89)). The Commission notes that projects using hydrogen must only use renewable hydrogen which complies with the sustainability and GHG emissions saving criteria set out in Directive (EU) 2018/2001 and its implementing or delegated acts (recital (43)). In addition, in case of projects which comprise the production of renewable hydrogen for the project's own needs and to this end use electricity from the grid, which does not qualify as fully renewable under Article 27(3) of Directive (EU) 2018/2001, Austria confirmed that compliance with the marginal plant approach as defined in the Delegated Regulation (EU) 2023/1185 will be required (recital (44)). Therefore, there are no indications that neither the aid measure nor the conditions attached to it, entail a non-severable violation of Union law and the measure complies with point 33 CEEAG.

([50]) Judgment of 22 September 2020, *Austria v Commission*, C-594/18 P, EU:C:2020:742, paragraph 44.

3.3.1.4. Conclusion on the positive condition

(156) The Commission therefore concludes that the measure fulfils the first (positive) condition of the compatibility assessment i.e. that the aid facilitates the development of certain economic activities pursuant to the requirements set out in Section 3.1 CEEAG.

3.3.2. Negative condition: the aid cannot unduly affect trading conditions to an extent contrary to the common interest

3.3.2.1. Necessity of aid

(157) Point 89 CEEAG states that the Member States must identify the policy measures already in place to reduce GHG emissions and that, while the Union's ETS and related policies and measures internalise some of the costs of GHG emissions, they may not yet fully be internalised by the EU ETS.

(158) Austria identified the policy measures already in place to reduce the GHG emissions (recital (8) to (10)), these include other aid measures under the GBER for smaller decarbonisation projects and the EU ETS. Regarding the aid measures under the GBER, Austria explained that these cover smaller decarbonisation projects. To distinguish the measure from the State aid measures under the GBER, Austria introduced a requirement of minimum volume of GHG emissions that has to emitted by the reference installation (recital (60)(c)). Regarding the EU ETS, the calculation of the net extra cost of the reference projects includes the costs internalised by the EU ETS (recital (50)(c)). The savings achieved thanks to avoided costs of GHG emissions do not cover the net extra costs of the reference projects. Therefore, and based on the assessment conducted in recital (142), the measure complies with point 89 CEEAG.

(159) Points 38 and 90 CEEAG state that in case of schemes, the Member State must show that the reference projects would not be carried out without the aid, taking into account the counterfactual situation, as well the policy measures identified in point 89 CEEAG.

(160) Austria has identified six reference projects, described in Section 2.9.2 above. Austria has shown that these reference projects would not be carried out without the aid (see recitals (52) and (54)). Austria provided calculations of the net extra costs for each of the reference projects (see Table 1 and Table 2). The Commission recalls its analysis in recitals (142) to (145), notably that the assumptions considered and the calculations performed by Austria are credible, and its conclusion in recital (145) that, without the aid, the reference project would not be economically viable and therefore would not be carried out. As shown by Austria by the calculation of the net extra costs, in the current market conditions, the reference projects are not profitable enough to cover the investment costs in case of investment grants and investment and operating costs in case of transformation grants.

(161) The measure does not limit exposure to negative scenarios:

(a) In case of the investment grants, the aid amount will be fixed when the auction is concluded (recital (76)) and will not be updated upwards based

on the project or market developments. Therefore, the investment grants do not limit the exposure to negative scenarios.

(b) In case of the transformation grants, a certain guaranteed remuneration for each tonne of GHG emissions avoided is provided. This remuneration is calculated based on the formulas described in recital (79). These formulas take into account the developments of the EU ETS prices, therefore limiting the profitability of the projects. In addition, two formulas described in recitals (79)(b) and (79)(c) were introduced to decrease the amount of the transformation grant paid out yearly (recital (83)) in case of certain market (recital (86)) or project (recital (84)) developments, therefore effectively limiting the profitability linked to possible positive scenarios in case of positive development of prices of energy from renewable sources or in case the supported installation consumes more energy than initially projected. This mechanism can only limit the amount of aid below the bid level in positive scenarios and, therefore the transformation grants do not limit the exposure to negative scenarios.

(162) In light of the above, as Austria has demonstrated that there is a need for aid under point 90 CEEAG, and in the absence of evidence of the contrary, the Commission presumes that a residual market failure remains, which can be addressed through aid for decarbonisation, in line with point 91 CEAAG.

(163) Point 92 CEEAG states that for schemes that run for more than three years, the Member State must confirm that it will update its analysis of relevant costs and revenues at least every three years or, for schemes involving less frequent granting, before aid is granted, to ensure that aid remains necessary for each eligible category of beneficiary. Where aid is no longer required for a category of beneficiaries, that category should be removed before further aid is granted.

(164) First, the aid under the measure is a scheme that runs for more than 3 years (recital (21)). Second, Austria confirmed that it will regularly review the effects of the measure and will review its eligibility conditions, with a possibility of removing a category of beneficiaries for which the aid is no longer necessary (recital (46)). Third, the amount of the transformation grant will be updated yearly based on the market data on the price of the EU ETS and the energy prices (recitals (79) to (80)) and the amount of the investment grants will be limited to the actual expenses as evidenced by the statements of account (recital (23)). Fourth, in the subsequent auctions Austria will update the maximum amount of aid per tonne of GHG emissions avoided and the maximum aid amount per project in each auction based on its analysis of the surveys assessing the State aid demand from the potential beneficiaries (recital (63)). Therefore, the measure complies with point 92 CEEAG.

3.3.2.2. Appropriateness of the aid

(165) Point 93 CEEAG states that the Commission presumes the appropriateness of State aid for achieving decarbonisation goals provided all other compatibility conditions are met and that given the scale and urgency of the decarbonisation challenge, a variety of instruments, including direct grants, may be used.

(166) Given that, as described in Sections 3.3.1, 3.3.2.1, 3.3.2.3 to 3.3.2.7 and 3.3.3, and in view of the objectives of the measure (recital (13)), the measure fulfils all the

other compatibility conditions, the Commission considers that the measure is an appropriate instrument to support the targeted economic activity.

3.3.2.3. Eligibility

(167) Point 95 CEEAG states that decarbonisation measures targeting specific activities which compete with other unsubsidised activities can be expected to lead to greater distortions of competition, compared to measures open to all competing activities. The Member State should give reasons for measures which do not include all technologies and projects that are in competition. Point 96 CEEAG provides examples of instances where the Commission may consider that a more limited eligibility does not unduly distort competition. In particular, point 96(d) CEEAG states that a more limited eligibility does not distort competition where a Member State identifies reasons to expect that eligible sectors have the potential to make an important and cost-effective contribution to environmental protection and deep decarbonisation objective.

(168) Subject to the eligibility conditions described in Section 2.9.1, the measure is open to all technologies resulting in a reduction of GHG emissions from industrial installations in the supported sectors. Austria submits that limiting the eligibility to the supported sectors has a potential to make an important contribution to environmental protection and deep decarbonisation in the longer term, as the supported sectors are responsible for more than 80 % of the industrial GHG emissions in Austria (recital (35)). Sectors profiting from the higher prices of the fossil fuels or sectors where the GHG emissions of the industrial installations are expected to be too low to provide an important contribution towards decarbonisation are excluded from the measure (recitals (36) to (38)). Therefore, limiting the measure to the supported sectors would allow Austria to target sectors with a potential of making an important and cost-effective contribution to environmental protection and deep decarbonisation in the longer term. The measure therefore falls under point 96(d) CEEAG and thus complies with points 95 and 96 CEEAG.

(169) Point 97 CEEAG states that the Member State must regularly review eligibility rules and any rules related thereto to ensure that reasons provided to justify a more limited eligibility continue to apply for the lifetime of each scheme.

(170) Austria will regularly review the design of the measure, including its eligibility conditions (recital (46)). Therefore, the measure complies with point 97 CEEAG.

3.3.2.4. Public consultation

(171) Point 99 CEEAG states that prior to the notification, Member States must consult publicly on the competition impacts and proportionality of measures to be notified under this Section. As the measure's estimated annual aid to be granted amounts to more than EUR 150 million per year (recitals (19) and (21)), the public consultation must meet the requirements specified in point 99(a) CEEAG. Point 101 CCEAG states that the consultation questionnaires must be published on a public website. Member States must publish a response to the consultation summarising and addressing the input received.

(172) The measure complies with all requirements regarding the public consultation (which are set out in Section 4.1.3.4 CEEAG) for the following reasons:

(a) The public consultation covered all the elements listed in point 99(a) CEEAG ([51]) and lasted at least 6 weeks (recitals (100) to (101)).

(b) In accordance with point 101 CEEAG (first sentence), the consultation questionnaires were published on a public website (recital (100)).

(c) In accordance with point 101 CEEAG (second sentence), Austria published on a public website a response to the consultation summarising and addressing the input received (recital (102)).

3.3.2.5. Proportionality of the aid and cumulation

(173) Point 103 CEAG states that aid for reducing GHG emission should in general be granted through a competitive bidding process as described in points 49 and 50 CEEAG, so that the objectives of the measure can be attained in a proportionate manner which minimises distortions of competition and trade.

(174) Point 49 CEEAG sets out the conditions under which aid allocated through a competitive bidding process can be considered proportionate ([52]), while point 50 CEEAG explains that the selection criteria used for ranking bids should put the contribution to the main objectives of the measure in relation with the aid amount requested by the applicant.

(175) Point 50 CEEAG states that the selection criteria used for ranking bids and, ultimately, for allocating the aid in the competitive bidding process should as a general rule put the contribution to the main objectives of the measure in direct or indirect relation with the aid amount requested by the applicant (expressed as, e.g., aid per unit of environmental protection). Other criteria must account for not more than 30 % of the weighting of all the selection criteria. The Member State must provide reasons for the proposed approach and ensure it is appropriate to the objectives pursued.

(176) The measure's competitive bidding process complies with point 49 CEEAG because:

(a) In line with point 49(a) CEEAG, the bidding process is open, clear, transparent and non-discriminatory (recital (55)), based on the criteria to select projects set in way to objectively rank the projects in accordance with the extent to which they contribute to the objective of the measure (recitals

([51]) The public consultation covered eligibility, method and estimate of subsidy per tonne of CO_2e, proposed use and scope of competitive bidding processes and any proposed exceptions, main parameters for the aid allocation process including for enabling competition between different types of beneficiaries, main assumptions informing the quantification used to demonstrate the incentive effect, necessity and proportionality.

([52]) Namely: a) The bidding process is open, clear, transparent and non-discriminatory, based on objective criteria, defined ex ante in accordance with the objective of the measure and minimising the risk of strategic bidding; b) The criteria are published sufficiently far in advance of the deadline for submitting applications to enable effective competition; c) The budget or volume related to the bidding process is a binding constraint in that it can be expected that not all bidders will receive aid, the expected number of bidders is sufficient to ensure effective competition, and the design of undersubscribed bidding processes during the implementation of a scheme is corrected to restore effective competition in the subsequent bidding processes or, failing that, as soon as appropriate; and d) Ex post adjustments to the bidding process outcome are avoided as they may undermine the efficiency of the process's outcome.

(56) to (58)). The Commission considers that the criteria proposed by Austria are clear and non-discriminatory. The criteria will be communicated in advance to the potential aid applicants (recital (59)), therefore ensuring openness and transparency of the bidding.

(b) In line with point 49(a) CEEAG, the risk of strategic bidding is minimised by the requirement to pay a bid bond at the time of the aid application (recital (72)) and by the fact that the auctions are open to all eligible undertakings and technologies, which minimises the risk of collusion (recital (64)).

(c) In line with point 49(b) CEEAG, the criteria will be published for more than six weeks and at least four months in advance of the deadline for submitting applications (recital (59)).

(d) In line with point 49(c) CEEAG, the budget related to the bidding process will be a biding constrained since the estimated costs necessary to decarbonise the Austria industry are greater than the measure's budget (recital (7)) and since Austria will determine the budget of each auction based on the available data and the annual surveys to avoid undersubscription (recital (65)). In addition, Austria will introduce changes to the budget of an auction or other auction conditions, such as the minimum volume of GHG emissions that would have to be emitted by the reference installation to ensure that the budget remains a bidding constrained (recital (66)).

(e) In line with point 49(c) CEEAG, there will be no *ex post* adjustments to its results (recital (68)).

(177) Moreover, in accordance with point 50 CEEAG, the selection criteria consist in at least 70 % in the funding efficiency expressed as EUR per tonne of GHG emission abated (recital (56)(a)), therefore putting the aid requested by the applicant in direct relation to the objective of the measure being reduction of GHG emission from the supported sectors (recitals (13) and (30)). The other criteria account for no more than 30 % of the weighting (recital (56)(b)). Austria provided reasons for the proposed approach (recital (57)), which are appropriate to the objectives pursued by the measure. Therefore, the measure complies with point 50 CEEAG.

(178) Point 103 CEEAG states that the aid for reducing greenhouse gas emissions should in general be granted through a competitive bidding process as described in points 49 and 50, so that the objectives of the measure can be attained in a proportionate manner which minimises distortions of competition and trade. Point 103 CEEAG states further that the budget or volume related to the bidding process is a binding constraint in that it can be expected that not all bidders will receive aid, the expected number of bidders is sufficient to ensure effective competition, and the design of undersubscribed bidding processes during the implementation of a scheme is corrected to restore effective competition in the subsequent bidding processes or, failing that, as soon as appropriate

(179) The budget allocation of the measure is designed in such a way that for each auction not all submissions are expected to receive aid and the competitiveness of the auction is therefore ensured (recital (65)). The bid simulations provided by Austria

demonstrate that there are likely to be enough participants to ensure the competitiveness of the bidding process (recital (67)). In case bid volume of an auction is too low, adjustments can be made to maintain the competitiveness of bidding (recital (66)). As an additional safeguard, a maximum amount of aid per tonne of GHG emissions avoided (recital (63)) will be introduced. This safeguard will exclude projects bidding with costs higher than observed in cases of the reference projects. The measure therefore complies with point 103 CEEAG.

(180) Point 104 CEEAG states that the bidding process should, in principle, be open to all eligible beneficiaries to enable a cost-effective allocation of aid and reduce competition distortions.

(181) In the present case the bidding process will be open to all eligible undertakings in the supported sectors (recital (55)), therefore the measure complies with point 104 CEEAG.

(182) Point 56 CEEAG states that when aid is awarded concurrently under several measures, the Member States must specify the method used to ensure that the total amount of aid for a project or an activity does not lead to overcompensation or exceed the maximum aid amount allowed under the CEEAG. Point 57 CEEAG states that where Union funding is combined with State aid, it has to be ensured that the total amount of public funding granted in relation to the same eligible costs does not lead to overcompensation. In that respect, the Commission notes that aid under the measure may only be cumulated for the same project with other aid or Union funding, provided that the cumulation rules of the CEEAG are respected (recital (104)).

(183) The method specified by Austria to control the aid or Union funding that is awarded concurrently under the measure and other measures ensures that the total amount of aid for a project will not lead to overcompensation (recitals (104) to (105)), therefore the measure complies with point 56 and 57 CEEAG.

3.3.2.6. Transparency of the aid

(184) Austria will ensure compliance with the transparency requirements laid down in points 58, 59 and 61 CEEAG. The relevant data of the measure will be published on a national website fulfilling the requirements of point 59 CEEAG ([53]) and on the Commission's transparency register ([54]) (recital (106)). The information published by Austria will include the Funding Guidelines and the information on the individual aid awards exceeding EUR 100 000 (recital (106)). The information on the individual aid awards will be published within 6 months from granting the aid and will be available for at least 10 years (recital (106)).

3.3.2.7. Avoidance of undue negative effects of the aid on competition and trade

(185) Point 70 CEEAG states that the Commission will approve measures under these guidelines for a maximum period of ten years.

([53]) https://transparenzportal.gv.at/tdb/tp/startpage

([54]) https://webgate.ec.europe.eu/competition/transparency/public

(186) As the aid under the measure may be awarded until 31 December 2030 (recital (21)), the measure complies with point 70 CEEAG.

(187) Point 115 CEEAG states that the subsidy per tonne of CO_2eemissions avoided must be estimated for each reference project, and the assumptions and methodology for that calculation must be provided. To the extent possible, that calculation should identify the net emissions reduction from the activity, taking into account life-cycle emissions created or reduced.

(188) For each reference project, the net GHG emission reduction (Table 1 and Table 2), the level of subsidy per tonne of GHG emissions avoided was estimated (recitals Table 1 and Table 2), and the underlying assumption and methodology of the calculation was provided (recital (50)). The calculation of the net emissions reduction takes into account life-cycle emissions, as it was made in line with the methodology of the Innovation Fund (recital (91)). The measure complies with point 115 CEEAG.

(189) Point 116 CEEAG states that the aid must not merely displace the emissions from one sector to another and must deliver overall GHG emissions reductions.

(190) All the supported installation must be fuelled exclusively by the energy from the renewable sources (recitals (31) and (94)), which will be verified by Austria (recitals (95), (98) and (99)). Even though the measure is expected to indirectly increase the demand for electricity and hydrogen, the expected GHG emissions savings generated by the measure (recital (90)) are greater than indirect GHG emissions generated by the measure in both scenarios described in recital (97). Therefore, the measure does not merely displace the emissions from one sector to another and delivers overall GHG emissions reduction in compliance with point 116 CEEAG.

(191) Point 117 CEEAG states that the aid for the decarbonisation of industrial activities must reduce the emissions directly resulting from that industrial activity.

(192) The measure is limited to projects encompassing a reduction of GHG emissions stemming directly from an existing reference installation operated in the supported sectors (recital (39)(a)), therefore it reduces the emissions directly resulting from the industrial activity and complies with point 117 CEEAG.

(193) Point 120 CEEAG states that Member States must demonstrate that reasonable measures will be taken to ensure that projects granted aid will actually be developed.

(194) The deadlines for the implementation of the projects will be part of the granting agreement (recital (71)(b)). In case the deadlines are not met, the aid might be suspended or recovered (recital (74)(d)) and the bid bond that the applicants are requested to pay at the time of aid application will not be returned (recital (72)). Prolongation of the deadline will be possible only in exceptional cases that are beyond the beneficiaries' control (recital (73)). These measures are reasonable to ensure that the projects granted aid will be developed. Therefore, the measure complies with point 120 CEEAG.

(195) Point 121 CEEAG states that the aid for decarbonisation can take a variety of forms, including contracts for differences. Aid which covers costs mostly linked to

operation rather than investment should only be used where the Member State demonstrates that this results in more environmentally friendly operating decisions.

(196) The aid granted in form of investment grants cover only investment costs (recitals (14)(a) and (76)). Therefore, the investment grants do not cover costs linked to operation and point 121 CEEAG is not applicable to the investment grants.

(197) The aid granted in form of transformation grants mostly cover costs linked to operation rather than investment (recitals (14)(b) and (77)). The transformation grant can only be granted if the supported installation is fuelled only by the energy from renewable sources (recital (31)), therefore leading to environmentally friendly operating decisions. In case of CCS/CCU projects, it has to be demonstrated that there are no alternative processes to efficiently reduce the GHG emissions (recital (41)(c)), i.e. that there are no alterative more environmentally friendly operating decisions. The measure complies with point 121 CEEAG.

(198) Point 122 CEEAG states that where aid is primarily required to cover short-term costs that may be variable, such as biomass fuel costs or electricity input costs, and paid over periods exceeding one year, Member States should confirm that the production costs on which the aid amount is based will be monitored and the aid amount updated at least once per year.

(199) The aid granted in form of investment grants cover only investment costs (recitals (14)(a) and (76)). Therefore, the investment grants do not cover short-term costs that may be variable and point 122 CEEAG is not applicable to the investment grants.

(200) The aid granted in form of transformation grants covers short-term costs that may be variable, as it covers operating costs in addition to the capital costs (recital (14)(b)). The amount of aid for the transformation grants will be updated yearly based on the formulas described in Section 2.9.4.2, which take into account the energy input costs and the price of the EU ETS. The energy input costs and the cost of the EU ETS will be monitored and updated annually to determine the aid amount of the transformation grant (recitals (79) to (80)). Therefore, the measure complies with point 122 CEEAG.

(201) Point 123 CEEAG states that the aid must be designed to prevent any undue distortion to the efficient functioning of markets and, in particular, preserve efficient operating incentives and price signals.

(202) In case of the investment grants:

(a) the aid amount will be capped at the maximum aid intensity (recital (76)), preserving price signals the remaining part of the projects' costs; and

(b) the aid covers only the investment costs (recital (14)(a)) up to the level indicated in the bid capped at the maximum amount of aid per project (recitals (76)), preserving price signals for the operating costs and any changes in the investment costs that take place after the aid application.

(203) In case of transformation grant, the aid amount is updated yearly based on the changing energy prices and the costs of the EU ETS (recital (79) to (80)), however, the beneficiaries still would be exposed to price signals other than the fluctuations

of the prices of fossil energy and the prices of energy from renewable sources, such as the fluctuations of the prices in raw materials. Therefore, the measure complies with point 123 CEEAG.

(204) Point 127 CEEAG states that the aid may not stimulate or prolong the consumption of fossil-based fuels and energy, thereby hampering the development of cleaner alternatives and significantly reducing the overall environmental benefit of the investment.

(205) The measure does not stimulate the consumption of fossil-based fuels and energy since the supported installations must be fuelled exclusively by the energy from renewable sources (recital (31) and (94)). Although CCS/CCU projects may be supported under the measure, it will be required that the captured GHG emissions are predominantly process-based and compliance with the relevant requirements is ensured recital (40)). In addition, it must be demonstrated that there are no alternative processes to efficiently reduce the GHG emissions (recital (41)(c)). Therefore, the measure does not prolong consumption of fossil-based fuels and energy and complies of complies with point 127 CEEAG.

(206) Points 128 and 129 CEEAG state that certain aid measures incentivising investments into fossil fuels have negative effects on competition and trade that are unlikely to be offset.

(207) The measure does not incentivise investments into fossil fuels, as the sectors producing such fuels are not within the supported sectors (recital (34)) and all the supported installations must be fuelled exclusively by energy from renewable sources (recital (31) and (94)). Therefore, the measure complies with points 128 and 129 CEEAG.

3.3.2.8. Conclusion on the negative condition

(208) The measure does not adversely affect trading conditions to an extent contrary to the common interest.

3.3.3. Ex-post evaluation plan

(209) Point 456 CEEAG states that *ex post* evaluation is required for schemes with large aid budgets, or containing novel characteristics, or when significant market, technology or regulatory changes are foreseen. In any event, *ex post* evaluation will be required for schemes when the State aid budget or accounted expenditures exceed EUR 150 million in any given year or EUR 750 million over the total duration. The *ex post* evaluation requirement only applies for aid schemes with a total duration that exceeds three years.

(210) The measure requires an *ex post* evaluation, as the measure's budget exceeds the thresholds specified in point 456 CEEAG (recital (19)) and the measure's duration exceeds three years (recital (21)).

(211) Points 459 and 460 CEEAG state that the Member State must notify a draft evaluation plan, which must be in accordance with the common methodological

principles provided by the Commission ([55]). Point 458 CEEAG states that the evaluation should aim at verifying whether the assumptions and conditions underlying the compatibility of the scheme have been achieved, in particular the necessity and the effectiveness of the aid measure in the light of its general and specific objectives and should provide indications on the impact of the scheme on competition and trade.

(212) As indicated in recital (107), Austria submitted a draft evaluation plan for the measure as part of the notification, thereby complying with point 459 CEEAG.

(213) The notified evaluation plan contains all the relevant elements required by point 460 CEEAG in line with the common methodological principles provided by the Commission ([55]):

(a) The objectives of the measure are clearly identified (recital (108))

(b) The evaluation questions are suitable to assess the direct and indirect effects of the scheme as well as the proportionality and appropriateness of the aid (recital (109) to (111)).

(c) Each evaluation question is matched with a suitable and quantifiable results indicator (recital (111))

(d) The data collection and quantitative methods chosen are appropriate to identify the relevant effects of the measure (recital (112) to (115)).

(214) Point 461 CEEAG states that the *ex post* evaluation must be carried out by an expert independent from the aid granting authority on the basis of the evaluation plan. Each evaluation must include at least one interim and one final evaluation report. Both reports must be made public. Point 463 CEEAG states that final evaluation report must be submitted to the Commission in due time to allow for the assessment of the possible prolongation of the aid scheme and at the latest nine months before its expiry.

(215) The evaluation will encompass an interim and a final evaluation report, both of which will be made public (recital (117)). The evaluation will be carried out by an evaluation body independent from the aid granting authority on the basis of the evaluation plan (recital (119)). Therefore, the measure complies with point 461 CEEAG. Austria committed to submit to the Commission the interim evaluation report by 30 September 2026 and the final evaluation report by 31 March 2030 (recitals (116) and (117)). Therefore, the final evaluation report is submitted to the Commission in due time to allow for the assessment of the possible prolongation of the aid scheme and at the latest nine months before its expiry and the measure thus complies with point 463 CEEAG.

([55]) Commission Staff Working Document, Common methodology for State aid evaluation, 28.5.2014, SWD(2014) 179 final.

(216) The Commission notes Austria's commitment to communicate to the Commission any difficulty that could significantly affect the agreed evaluation in order to work out possible solutions (recital (120)).

(217) The Commission notes that Austria will suspend the application of the measure with immediate effect if the final evaluation report is not submitted in good time and sufficient quality or is otherwise not in compliance with the approved evaluation plan, and that any subsequent aid measure with a similar objective must take into account the results of the evaluation (recital (121)).

3.3.4. Weighing up the positive and negative effects of the aid

(218) Point 134 CEEAG states that the Commission will typically find that the balance for decarbonisation measures is positive (that is to say, distortions to the internal market are outweighed by positive effects) in light of their contribution to meeting Union climate objectives, as long as there are no obvious indications of non-compliance with the 'do no significant harm' principle and as long as all other compatibility conditions are met.

(219) The measure contributes to the achievement of Union and Austrian climate objectives (recital (137)). There are no obvious indications of non-compliance with the 'do no significant harm' principle. Compliance with the 'do no significant harm' principle is an eligibility conditions (recital (39)(d)) and it will be verified by the Austrian authorities. As indicated in Sections 3.3.1 to 3.3.3, all other compatibility conditions are met.

(220) Therefore, the Commission concludes that the positive effects of the measure outweigh its negative effects on the internal market.

3.4. Conclusion on the compatibility of the measure

(221) The Commission concludes that the aid facilitates the development of an economic activity and does not adversely affect trading conditions to an extent contrary to the common interest. Therefore, the Commission considers the aid compatible with the internal market based on Article 107(3)(c) TFEU, as interpreted in the relevant points of CEEAG.

4. AUTHENTIC LANGUAGE

(222) As mentioned in recital (3), Austria agreed to have the decision adopted and notified in English. The authentic language will therefore be English.

5. CONCLUSION

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)(c) of the Treaty on the Functioning of the European Union.

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: https://competition-cases.ec.europa.eu/search?caseInstrument=SA.

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President