



Brussels, 9.06.2023
C(2023) 3711 final

PUBLIC VERSION

This document is made available for information purposes only.

Subject: SA.107498 (2023/EV) - RRF - Spain: Evaluation plan for the block-exempted PERTE on Circular Economy

Excellency,

1. PROCEDURE

- (1) By electronic notification registered as SA.107498, the Spanish authorities submitted a summary information sheet pursuant to Article 11(a) of the Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty¹ (hereinafter “GBER”) on the PERTE on Circular Economy.
- (2) The aid scheme was put into effect on 8 December 2022 pursuant to Articles 25 and 29 of the GBER concerning aid for research and development and innovation () and pursuant to Articles 36 and 47 of the GBER concerning aid for environmental protection ().
- (3) The annual budget of the aid scheme amounted to EUR 192 million in 2022 and EUR 300 million in 2023. The scheme was therefore considered a large scheme in the meaning of Article 1(2)(a) of the GBER.
- (4) In order to comply with its obligations under the GBER, Spain notified on 7 January 2023 an evaluation plan, registered by the Commission as State aid case SA.107498 (2023/EV). On 22 March 2023, the Commission asked for

¹ OJ L 187, 26.6.2014, p. 1.

Excmo. Sr. José Manuel Albares Bueno
Ministro de Asuntos Exteriores y de Cooperación
Plaza de la Provincia, 1
280714 Madrid
ESPAÑA

supplementary information. A telephone conference between the Spanish authorities and the Commission services took place on 4 April 2023.

- (5) By letter of 17 May 2023, the Spanish authorities agreed exceptionally to waive the rights deriving from Article 342 TFEU in conjunction with Article 3 of the Council Regulation 1/58² and to have the planned decision adopted and notified in English.

2. DETAILED DESCRIPTION OF THE KEY ELEMENTS OF THE NOTIFIED EVALUATION PLAN

- (6) As required by Article (2)(16) of the GBER and in line with best practices established in the Commission Staff Working Document on Common methodology for State aid evaluation³ (hereinafter: “Staff Working Document”), the evaluation plan contains the description of the following main elements: (i) the objectives of the aid scheme to be evaluated, (ii) the evaluation questions, (iii) the result indicators, (iv) the envisaged methodology to conduct the evaluation, (v) the data collection requirements, (vi) the proposed timing of the evaluation including the date for submission of the final evaluation report, (vii) the approach for the selection of the independent body conducting the evaluation, and (viii) the modalities for ensuring the publicity of the evaluation.

2.1. Objectives and duration of the aid scheme to be evaluated

- (7) The scheme aims at promoting the sustainability and circularity of industrial and business processes by:
- a) incentivising research and development improving the eco-design of products towards extending their lifetime and improving their recyclability,
 - b) increasing the use of secondary raw materials in the production of products,
 - c) reducing the generation of waste and
 - d) improving the management of waste, including through digitalization.
- (8) The scheme comprises two sub measures:
- a) *Sub-measure 1* is a horizontal sub-measure which applies to all sectors; and
 - b) *Sub-measure 2* is a sector-specific sub-measure targeting the textile, plastic, and the renewable energy sectors (wind turbines, photovoltaic solar panels, batteries).
- (9) The budget for the scheme is EUR 492 million, to be distributed as follows:
- a) EUR 192 million for *Sub-measure 1*,
 - b) EUR 300 million for *Sub-measure 2*.

² Regulation No 1 determining the languages to be used by the European Economic Community (OJ 17, 6.10.1958, p. 385).

³ Commission Staff Working Document on Common methodology for State aid evaluation, Brussels, 28.5.2014, SWD (2014) 179 final.

- (10) The scheme will be entirely financed through the Recovery and Resilience Facility⁴.
- (11) The scheme provides support in the form of grants.
- (12) The foreseen duration of the scheme is until 30 June 2026. The expiration date of the GBER currently in place is 31 December 2023. It is the responsibility of the Spanish authorities to ensure that the scheme continues to comply with the provisions of the GBER applicable to the scheme after 30 June 2024. To that effect, the Spanish authorities commit to amend the scheme and publish a new information sheet, if necessary. Similarly, in that case, the Spanish authorities commit to amend the evaluation plan accordingly and re-submit it to the Commission.

2.2. Evaluation questions and result indicators

- (13) The notified evaluation plan explains the issues to be addressed by the evaluation and provides a preliminary list of evaluation questions and result indicators, which will form the basis of the evaluation of the scheme.
- (14) The evaluation questions address both the incentive effect of the aid on the beneficiaries and the scheme's indirect effects (in terms of both positive and negative externalities). The result indicators are linked to the evaluation questions and to the objectives of the scheme.
- (15) The direct effects of the aid on the beneficiaries will be addressed, among others, by evaluation questions on whether and to what extent the aid has led to (1) an increase in infrastructure investments leading to an improvement of waste management beyond minimum legal requirements, or to an increase in product reuse, remanufacturing and refurbishment, (2) an increase in digital transformation projects with demonstrated (or expected delivery of) energy savings, material savings or waste management improvements, (3) an increase in research and development and innovation projects with demonstrated (or expected delivery of) energy savings, material savings or waste management improvements.
- (16) With regard to the evaluation questions on the direct effects, the following result indicators will be used, among others: (1) amounts and types of waste generated, prevented, prepared for re-use and/or recycled (2) amounts, types and/or values of products reused, remanufactured or refurbished, (3) size and annual processing capacity of production and/or waste-processing infrastructure installed or adapted, where those can demonstrate an increase in circularity, (4) number of implemented digital processes with demonstrated (or expected delivery of) energy savings, material savings or waste management improvements, (5) number of new products, processes or services created, when those demonstrate (or are expected to deliver) energy savings, material savings or waste management improvements.
- (17) The evaluation will also address and examine the possible indirect effects of the aid scheme. The questions regarding indirect effects will assess, among others, whether the aid has led to: (1) a net increase in jobs (2) an increase in training

⁴ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.

courses on circular economy and (3) an increase in awareness campaigns for circular economy.

- (18) With regard to the evaluation questions on the indirect effects, the following result indicators will be used, among others: (1) net number of jobs created, (2) number of people having acquired new skills through training, (3) number of awareness campaigns conducted and size of the audiences reached.
- (19) Finally, the evaluation will assess the appropriateness and proportionality of the aid, and will, in particular, assess the efficiency of the aid scheme's design by investigating whether the same effects could have been achieved with less aid or in a less distortive form of aid and whether the form and volume of the scheme was proportionate to the problem being addressed.
- (20) With regard to the evaluation questions on the appropriateness and proportionality, the following result indicators will be used, among others: (1) aid provided, (2) number of enterprises that received support.
- (21) The Spanish authorities committed to update the list of evaluation questions and result indicators in the context of the interim evaluation report.

2.3. Envisaged methodology to conduct the evaluation

- (22) The direct effects of the aid scheme on the beneficiaries are to be identified by employing econometric methods, in particular a regression analysis of the type “*Matching – Difference-in-Differences*” (M-DID), as described in the Commission Staff Working Document on Common methodology for State aid evaluation⁵.
- (23) The *Difference-in-Differences* strategy is the one that, exploiting the longitudinal nature of the data available, is considered more robust to the presence of unobservable differences between firms benefitting from aid under the evaluated aid scheme, and firms belonging to a control group, provided that these differences remain constant over time (parallel trend assumption).
- (24) A control group will be built by identifying the companies that have not received investment aid under the scheme. In order to correctly apply the matching methodology, the two samples (beneficiary and non-beneficiary enterprises) must be as similar as possible in terms of observable characteristics (i.e. variables that can be found in the database).

2.4. Data collection requirements

- (25) For the purposes of the evaluation, the evaluators will rely mainly on targeted company surveys. The Spanish authorities will rely also on official data sources: the National Institute of Statistics, Eurostat and parameters monitored for the national implementation reports on EU waste legislation.
- (26) The data collection frequency will be annual.

⁵ See footnote 3.

- (27) The abovementioned data sources will be used as regards both the aid beneficiaries and the control group.

2.5. Proposed timing of the evaluation, including the date of submission of intermediate reports and final evaluation report

- (28) According to the Spanish authorities, at this stage, the foreseen timing for the evaluation is composed of the following phases:

Task	Deadline
Signing the contract with selected evaluator (T0)	Q4 2023
Inception phase, ending with inception report	T0 + 2 months
Data gathering phase finalised (initial phase)	T0 + 3 months
Data analysis phase finalised (initial phase)	T0 + 5 months
Interim report (initial phase)	T0 + 5 months
Data gathering phase finalised (final phase)	T0 + 21 months
Data analysis phase finalised (final phase)	T0 + 22 months
Draft final report	T0 + 22 months
Final report, presentation of findings and policy proposals	T0 + 23 months
Data gathering phase finalised (additional phase)	T0 + 39 months
Data analysis phase finalised (additional phase)	T0 + 40 months
Additional report	T0 + 40 months

- (29) The foreseen duration of the aid scheme is until 30 June 2026 (recital (12)).
- (30) The Spanish authorities committed to submitting the interim report to the Commission by April 2024 and to submitting the final evaluation report to the Commission by 31 October 2025.
- (31) The interim report shall contain a detailed description of the data and the methodologies that will be used for the evaluation and a pilot test of the proposed methodology on the available data, and alternative methodologies will be proposed if necessary.
- (32) The final report will assess the effectiveness of the scheme based on the available data and the methodology agreed upon as a result of the interim report.
- (33) In addition, the Spanish authorities will submit an additional evaluation report in March 2027 presenting the full results of the evaluation exercise.
- (34) The Spanish authorities commit that, should significant modifications to the evaluation plan become necessary, they will notify to the Commission an updated evaluation plan. The Spanish authorities also commit to inform the Commission of any element that may affect the implementation of the evaluation plan.

2.6. Selection of an independent body to conduct the evaluation

- (35) The Spanish authorities explained that the evaluator has not been selected yet at the time of the notification of the evaluation plan. The independent evaluator will be selected in line with national and EU public procurement rules. For the purpose of ensuring the quality and reliability of the evaluation, the entity selected will be functionally independent from the granting authority and persons that have previously been involved in the design and implementation of the aid scheme will not be eligible to join the evaluating team.

- (36) The evaluation team as a whole must have the necessary assessment skills, including in the field of in the environmental and waste management, industry, new technologies and digitalization and business innovation. The Spanish authorities confirm, therefore, that the evaluation will be conducted by experts who have the adequate and proven experience and the methodological knowledge to carry out the exercise.
- (37) The detailed selection criteria will be part of the call for tenders with the following main principles: legal and regulatory capacity, economic and financial capacity, technical and professional capacity and possible other relevant experience that will be detailed in the call for tenders.

2.7. Modalities for ensuring the publicity of the evaluation

- (38) The evaluation plan, the interim report, the final evaluation report and the additional report will be published on the website of the “Fundación Biodiversidad”⁶. Personal and/or confidential data will be dealt with according to the relevant regulations.
- (39) The evaluation results will be used by the granting authority and other bodies for the design of subsequent schemes pursuing the same objective. Data collected during the evaluation will be made accessible for further studies under conditions that preserve confidentiality.
- (40) Dissemination activities will be conducted, for example by organising workshops with stakeholders in order to gather their feedback on the evaluation results and more generally by stimulating public debate on the evaluation results.

3. ASSESSMENT OF THE EVALUATION PLAN

- (41) The correct application of the GBER is the responsibility of the Member State. The present decision on the evaluation plan does not assess whether the aid scheme to be evaluated was put into effect by the Member State in full respect of all applicable provisions of the GBER. It does therefore neither create legitimate expectations, nor does it prejudge the position the Commission might take regarding the conformity of the aid scheme with the GBER when monitoring it, or assessing complaints against individual aid granted under it.
- (42) Pursuant to Article 1(2)(a) GBER, certain aid schemes⁷ within the meaning of Article 2(15) GBER, with an average annual State aid budget exceeding EUR 150 million, are subject to evaluation. The Commission notes that the annual budget of the aid scheme concerned (i.e. EUR 192 million in 2022 and EUR 300 million in 2023) exceeds the threshold of EUR 150 million laid down in Article 1(2)(a) of the GBER. Chapter I and Sections 4 (Article 25 and 29) and 7 (Articles 36 and 47) of Chapter III of the GBER constitute the legal basis for the aid scheme to benefit from the exemption from notification provided for in Article 108(3) of the TFEU. However, in the absence of a positive Commission decision on the notifiable evaluation plan, pursuant to Article 1(2)(a) GBER, the exemption

⁶ <https://fundacion-biodiversidad.es/>

⁷ Schemes under Sections 1 (with the exception of Article 15), 2 (with the exception of Articles 19c and 19d), 3, 4, 7 (with the exception of Article 44) and 10 of Chapter III of this Regulation (Article 1(2)(a) GBER).

expires six months after the entry into force of the measure and may continue to apply for a longer period only if the Commission decides to authorise this explicitly by the present decision.

- (43) As the Commission explained in recital 8 of the GBER, the evaluation of large schemes is required “*in view of the greater potential impact of large schemes on trade and competition*”. The required evaluation should “*aim at verifying whether the assumptions and conditions underlying the compatibility of the scheme have been achieved, as well as 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*”. State aid evaluation should in particular allow the direct incentive effect of the aid on the beneficiary to be assessed (i.e. whether the aid has caused the beneficiary to take a different course of action, and how significant the impact of the aid has been). It should also provide an indication of the general positive and negative effects of the aid scheme on the attainment of the desired policy objective and on competition and trade and could examine the proportionality and appropriateness of the chosen aid instrument.⁸
- (44) In the light of these considerations, Article 2(16) of the GBER defines “*evaluation plan*” as “*a document containing at least the following minimum elements: the objectives of the aid scheme to be evaluated, the evaluation questions, the result indicators, the envisaged methodology to conduct the evaluation, the data collection requirements, the proposed timing of the evaluation including the date of submission of the final evaluation report, the description of the independent body conducting the evaluation or the criteria that will be used for its selection and the modalities for ensuring the publicity of the evaluation*”.⁹
- (45) The Commission considers that, as described in section 2 of this decision, the notified evaluation plan contains these minimum elements.
- (46) The evaluation plan gives a concise description of the key objectives of the scheme concerned and provides sufficient information to understand the underlying “*intervention logic*”. The scope of the evaluation is defined in an appropriate way (recitals (7) to (12)).
- (47) The evaluation questions are designed in a way as to assess the direct effects of the scheme on the beneficiaries compared to non-beneficiaries, in order to measure the incentive effect of the scheme (recital (15)). The evaluation questions addressing indirect effects are linked to the specificities of the aid scheme, both in terms of objectives and aid instruments (recital (17)). The Commission notes that the evaluation plan also includes evaluation questions aimed at measuring the appropriateness and proportionality of the aid (recital (19)).
- (48) The evaluation plan identifies and justifies result indicators that integrate the evaluation questions for the aid scheme concerned (recitals (16), (18) and (20)) and explains the data collection requirements and availabilities necessary in this context (recitals (25) to (27)). The data sources to be used for the evaluation are described clearly and in detail (recitals (25) to (27)).

⁸ See Staff Working Document referred to in footnote 3 above.

⁹ Further guidance is given in the Staff Working Document referred to in footnote 2 above.

- (49) The evaluation plan sets out and explains the main methods that will be used in order to identify the effects of the scheme and discusses why these methods are likely to be appropriate for the scheme in question. The proposed evaluation methodology sufficiently allows identifying the causal impact of the scheme itself (recitals (22) to (24)).
- (50) The proposed timeline of the evaluation is reasonable in view of the characteristics of the scheme concerned and the relevant implementation periods for projects supported under the scheme (recitals (28) to (34)).
- (51) The procedure and selection criteria for the selection of the evaluation body are appropriate to meet the independence and skills criteria (recitals (35) to (37)).
- (52) The proposed modalities for the publication of the evaluation results are appropriate and ensure transparency. In particular, the Commission takes note of the commitment of the Spanish authorities to disseminate and make publicly available the evaluation plan, the interim report and the final evaluation report, and the additional evaluation report (recitals (38) to (40)).
- (53) In view of the above, the Commission considers that the evaluation plan meets all requirements laid down in the GBER, is established in line with the common methodology proposed in the Staff Working Document¹⁰ and is suitable given the specificities of the large aid scheme to be evaluated.
- (54) The Commission takes note of the commitment made by the Spanish authorities to conduct the evaluation according to the plan described in the present decision and to inform the Commission of any element that might seriously compromise the implementation of the plan. The Commission also takes note of the commitment by the Spanish authorities to fulfil the obligation to submit the final evaluation report by 31 October 2025.
- (55) The Commission takes note of the commitment made by the Spanish authorities to take into account the evaluation results for the design of any subsequent aid measure with a similar objective (recital (39)). The Commission recalls that the application of the exempted scheme has to be suspended if the final evaluation report is not submitted in good time and sufficient quality.
- (56) Therefore, pursuant to Article 1(2)(a) of the GBER, the Commission decides that the GBER shall continue to apply to the aid scheme for which the evaluation plan was submitted, for a period exceeding the initial six months after the scheme at hand was applied for the first time, until 30 June 2024. The Spanish authorities may decide to extend this scheme beyond that date, provided that they submit an evaluation report in line with this evaluation plan, without prejudice to Article 1(2)(b) of the GBER.
- (57) In this regard, the Commission reminds that alterations to the evaluated scheme, other than modifications which cannot affect the compatibility of the scheme under the GBER or cannot significantly affect the content of the approved evaluation plan, are, pursuant to Article 1(2)(b) of the GBER, excluded from the scope of the GBER, and must therefore be notified to the Commission.

¹⁰ As referred to in footnote 3 above.

4. CONCLUSION

The Commission has accordingly decided:

- that the exemption of the aid scheme shall continue to apply for a period exceeding the initial six months after the scheme at hand was applied for the first time, until 30 June 2024.
- to publish this decision on the Internet site of the Commission.

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

Your request should be sent electronically to the following address:

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

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President