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Subject: State Aid SA.62787 (2021/EV) – Germany
Evaluation plan for the block-exempted Federal scheme "investment programme for modernising production in the vehicle manufacturing and vehicle supply industry"

Excellency,

1. PROCEDURE

(1) On 20 April 2021, Germany submitted summary information 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 Treaty[1] (hereinafter "GBER") on an aid scheme ("Investitionsprogramm zur Modernisierung der Produktion in der Fahrzeughersteller- und Zulieferindustrie"), registered under SA.62750 (2021/X).

(2) Pursuant to Article 1(2)(a) of the GBER, the GBER does not apply to aid schemes with an average annual budget exceeding EUR 150 million from six months after their entry into force. However, the Commission may decide that the GBER shall continue to apply for a longer period to such aid schemes following the

[1] OJ L 187, 26.6.2014, p. 1.

Seiner Exzellenz Herrn Heiko Maas
Bundesminister des Auswärtigen
Werderscher Markt 1
D-11017 Berlin

assessment of an evaluation plan of the scheme to be notified by the Member State concerned.

(3) The scheme has an estimated annual average budget of EUR 157 million and allows granting aid in form of direct grants for investments and consultancy for modernising production in the vehicle manufacturing and vehicle supply industry.

(4) The legal act on which this aid measure is based, was promulgated on 26 March 2021. It entered into force on 27 March 2021. Funding is provided on the basis of the State aid provisions for Investment aid to SMEs (Article 17 GBER), Aid for consultancy in favour of SMEs (Article 18 GBER) and Investment aid for energy efficiency measures (Article 38 GBER). The duration of the scheme, is at present limited to the remaining period of validity of the GBER including the transition period of six months as referred to in Article 58 (5) of the GBER (30 June 2024). Should the GBER be prolonged in its current form, the scheme will be prolonged accordingly, but not beyond 31 December 2024.

(5) In order to obtain the prolongation of the application of the GBER beyond the period set up in Article 1(2)(a) of the GBER, the German authorities notified an evaluation plan on 21 April 2021, registered by the Commission as SA.62787 (2021/EV). On 4 June 2021, the Commission services submitted a preliminary assessment on the evaluation plan to the German authorities. A telephone conference between the German authorities and the Commission services took place on 15 June 2021. On 29 June 2021, the German authorities submitted a revised evaluation plan.

(6) Germany exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union ("TFEU"), in conjunction with Article 3 of Regulation 1/1958[2] and to have this decision adopted and notified in English.

2. Detailed description of the key elements of the notified evaluation plan

(7) As required by Article 2(16) of the GBER and in line with best practices[3], the evaluation plan is to contain 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.

(8) The evaluation plan and the future evaluation will help to ensure that similar schemes will be more effective in the future and will create less distortion in markets (if any). The evaluation will also improve the efficiency of similar schemes and, possibly, of future rules for granting state aid in this area.

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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.

2.1. Objectives of the aid scheme to be evaluated

(9) The aid scheme is designed to promote investments by companies within the vehicle industry (especially vehicle suppliers and SMEs) in new manufacturing equipment, industry-4.0-ready equipment, digitalisation and environmental sustainability in the manufacturing process, and related investments in consultancy services and training measures.

(10) Eligible undertakings are undertakings in the automotive industry with a prominent role for small and medium-sized enterprises (SMEs). The vehicle industry within the meaning of the support measure includes all types of ground-based vehicles with civilian (non-military) use, in particular cars, commercial vehicles and motorcycles, mobile work and agricultural machinery, railway and rail vehicles, bicycles and e-bikes/pedelecs. In addition, companies outside the vehicle industry — if there is evidence of significant links to the vehicle and supply industry — are also eligible to apply.

(11) Funding is provided for:

a) Investments in the expansion and optimisation of manufacturing facilities and processes (e.g. acquisition of machines and equipment including the software and hardware required for their operation)

b) Related investments (e.g. through project-related consultancy services, staff training and adjustment measures)

(12) Applications are processed in the order in which they are received. A granting decision can only be made after the application is completed. The applications are evaluated according to the following criteria and simplified single-stage approval procedure:

a) content: Relevance to the funding objectives and funding purpose of this funding guideline as stated in the investment programme;

b) timing: according to the receipt of applications;

c) financial: according to the availability of budget funds.

2.2. Evaluation questions and result indicators

(13) The notified evaluation plan identifies the issues to be addressed by the evaluation.

(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 (1) contribution to the policy objective; (2) increase of investment expenditure of companies with initially low investment levels; (3) increase in investment expenditure in the area of digitalisation and modernisation; (4) increase in investment expenditure in the area of sustainable production; (5)

effect on job security; (6) increase of investment expenditure in the area of process innovation.

(16) With regard to the evaluation questions on the direct effects, the following result indicators will be used, among others: (1) number of projects supported and funding volume; (2) investment expenditure of the beneficiaries and non-beneficiaries; (3) CO_2 reduction; (4) evolution of number of employees. In addition, further indicators will be used depending on data quality and availability, including: (1) efficiency and flexibility in production; (2) improved flexibility of supply chains and production networks.

(17) The investment scheme does not explicitly aim to trigger positive spill-over effects like knowledge, networks and market spill-overs or the development of the company networks. As concerns indirect impacts, general investment or modernisation schemes can have an impact on a whole sector, however, they are assumed to be much lower than spill-over effects due to R&D activities that can have an impact on several sectors or the whole economy. The evaluation will address and examine the possible indirect effects of the investment programme. The following specific questions regarding indirect impacts will be assessed: (1) existence of spill-over effects on the activity of other firms; (2) occurrence of possible negative indirect effects.

(18) With regard to the evaluation questions on the indirect effects, one of the result indicators will be the investment expenditure in digitalisation. In addition, further indicators will be used depending on data quality and availability, including: (1) commercialisation of innovative digital technologies and production methods; (2) use of digital technologies to optimise intra- and inter-company collaboration; (3) knowledge transfer as part of the transformation processes; upgraded employee skills, provision of consultancy services. In any case, the evaluation will address the issue whether the identified impacts are economically significant.

2.3. Envisaged methodology to conduct the evaluation

(19) The direct effects of the aid scheme on the beneficiaries will 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 evaluation[4].

(20) The method can be used for the evaluation of this aid scheme since many of the differences in characteristics are easily observable, e.g. size, age, investment intensity, employment trends, etc. Moreover, the projects supported by the scheme are of a general purpose, i.e. modernisation of production, and it can be assumed that the overall majority of companies (supported and non supported companies) will have at least one modernisation project or investment need. Therefore, the matching on observables method can be applied since it is most likely that the two groups of funded and non-funded companies can be disentangled and a selection effect can be avoided.

[4] See footnote 5.

(21) The German authorities are aware that the methodology may be of limited use for assessing the effectiveness of the scheme on the large companies from the vehicle industry (a sub-group of the treatment group). In particular, the large Original Equipment Manufacturers and Tier 1 suppliers to the vehicle industry, forming part of the assisted large companies, have very large workforces and high turnovers, as well as individual corporate strategies and philosophies, which can make it harder to undertake a matching procedure, irrespective of data availability. It can be assumed that the very large companies in the vehicle industry are aware of the aid scheme. Depending on the implementation of the scheme, it may be necessary to take a case-by-case approach and use case studies to determine indicators of causal interconnections. To this extent, qualitative methods can usefully supplement the mix of methods.

(22) The constitution of the control group will be based on matching techniques. The beneficiaries of the scheme will be paired with similar undertakings which did not receive the aid, based on several indicators (level of capital investment, level of CO_2 emissions, employment, labour productivity, sales and/or profit, investment expenditure pre-intervention, average age of machinery and fixed-capital investment) for the period preceding the granting of the aid. The impact of the policy will be assessed through the calculation of a difference-in-difference estimator. This technique is deemed to be robust and particularly appropriate due to the longitudinal nature of the available data.

(23) The evaluation will also investigate the possibility of building multiple control groups, for example using companies from other sectors or companies from the automotive sector in another country (in case no similar scheme is in place). The feasibility of these additional analyses with different control groups will depend on data availability.

(24) In order to examine the effects of the measure on competition, the evaluation will assess whether it is possible to measure the market share of aid beneficiaries. This could be feasible if the beneficiary companies are active in homogeneous product markets. The market share of aid beneficiaries could be compared with a counterfactual established on the basis of non-intervention areas, i.e. companies in other countries.

(25) As a complement, and in case the required quality of future micro-data is not sufficient, the evaluation will use workshops (also to be used to involve stakeholders), case studies and interviews (with beneficiaries and non-beneficiaries), in order to have a general understanding of the reasons behind the causal relations inferred from the quantitative analysis and to qualitatively estimate the impacts.

2.4. Data collection requirements

(26) For the purposes of the evaluation, the German authorities will rely mostly on two databases. (1) For the treatment group (group of aid recipients), the administering agency, the Federal Office for Economic Affairs and Export Control (BAFA), will capture, prepare and provide different company-specific and project-specific data through the project managers. (2) For the control group of non-assisted companies, the Mannheim Innovation Panel (MIP) run by the Leibniz Center for European Economic Research (ZEW), will be given special consideration and scrutiny. For the control group, additional databases might be used as well.

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

(27) The evaluation is planned to start still in 2021, after completion of the tender procedure to select an independent body to conduct the evaluation (recitals (32) and (33)). Given the average project term of 12 months, a certain number of already completed projects is to be expected by the end of 2022.

(28) The final evaluation report based on the present evaluation plan will be submitted to the European Commission by 31 December 2023 at the latest. The final report will present the results of a pilot analysis on the available data and will deliver insight for the adequacy of the evaluation method and its feasibility.

(29) In addition, the Federal Ministry for Economic Affairs and Energy commits to give the European Commission an annual update on the progress on data collection, the opinion of the scientific advisory committee, and the status of the implementation of the evaluation, by means of an informal email.

(30) To capture full effects of the investment programme an additional evaluation report based on the present evaluation plan will be submitted to the European Commission by 30 June 2027.

(31) The Federal Ministry for Economic Affairs and Energy commits that, should significant modifications to the evaluation plan become necessary, it will notify to the European Commission an updated evaluation plan. The Federal Ministry for Economic Affairs and Energy also commits to inform the European Commission of any element that may affect the implementation of the evaluation plan.

2.6. Selection of an independent body to conduct the evaluation

(32) The selection of the independent evaluator will take place in 2021 through an open, competitive and non-discriminatory tender procedure. Important selection criteria include independence, experience and skills of the evaluator. The German authorities consider therefore that the evaluation will be conducted on the basis of sound methodologies, by experts who have the adequate and proven experience and the methodological knowledge to carry out the exercise.

(33) As part of the selection process, the German authorities plan to give to the bidders the possibility to propose further methods to carry out the analyses.

2.7. Modalities for ensuring the publicity of the evaluation

(34) The evaluation will be made public and published on the website of the Federal Ministry for Economic Affairs and Energy. Personal and/or confidential data will be dealt with according to the relevant regulations. The published results of the evaluation will comply with the provisions of the German statistical law and statistical secrecy. Access to third-party data will be subject to the rules imposed by these third-party bodies. Data collected during the evaluation will be made accessible for the purpose of replicating results or for further studies.

(35) Outreach activities will be conducted, for example by preparing and presenting the key results to the stakeholders and/or wider public. More specific technical results will be explained to a selected expert audience. Both the final evaluation

report and the feedback received from interested stakeholders, e.g. through the workshops or interviews, are expected to give rise to useful suggestions and ideas for the optimisation of the aid scheme.

3. ASSESSMENT OF THE NOTIFIED EVALUATION PLAN

(36) 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 regarding the lawfulness and compatibility of the scheme, nor does it prejudge the position the Commission might take regarding the conformity of the aid scheme with the GBER and its lawfulness and compatibility when monitoring it, or assessing complaints against individual aid granted under it.

(37) Pursuant to Article 1(2)(a) GBER, certain aid schemes[5] 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 average budget of the aid scheme concerned (i.e. EUR 157 million) exceeds the threshold of EUR 150 million laid down in Article 1(2)(a) GBER in 2021. Chapter I and section 4 (Articles 17, 18 and 38) 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 the provision in Article 1(2)(b) GBER, the exemption 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.

(38) As explained in recital 8 of the GBER, the evaluation of large schemes is required "[I]n view of the greater potential impact of large schemes on trade and competition". The required *"[E]valuation 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 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[6].

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5 Schemes under Sections 1 (with the exception of Article 15), 2, 3, 4, 7 (with the exception of Article 44), and 10 of Chapter III of this Regulation (Article 1(2)(a) GBER). 'Aid scheme' means any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be granted to one or several undertakings for an indefinite period of time and/or for an indefinite amount (Article 2(15) GBER).

6 See Staff Working Document referred to in footnote 2 above.

(39) In the light of these considerations, based on Article 2(16) of the GBER, an evaluation plan is a document containing at least the following minimum elements: the objectives of the aid scheme to be evaluated (see in this regard recitals (9) to (12) above), the evaluation questions and result indicators (see recitals (13) to (18) above), the envisaged methodology to conduct the evaluation (see recitals (19) to (25) above), the data collection requirements (see recital (26) above), the proposed timing of the evaluation including the date of submission of the final evaluation report (see recitals (27) to (31) above), the description of the independent body conducting the evaluation (see recitals (32) to (33) above) and the modalities for ensuring the publicity of the evaluation (see recitals (34) to (35) above).[7]

(40) The Commission considers that, as described in section 2 of this decision, the notified evaluation plan contains these minimum elements outlined in Article 2(16) of the GBER.

(41) 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 (see recital (9) to (12) above).

(42) 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 (see recital (14) above). The evaluation questions addressing indirect effects are linked to the specificities of the aid scheme, both in terms of objectives and aid instruments (see recital (15) above).

(43) The evaluation plan identifies and justifies result indicators that integrate the evaluation questions for the aid scheme concerned (see recitals (16) and (18) above), and explains the data collection requirements and availabilities necessary in this context (see recital (26) above). The data sources to be used for the evaluation are described clearly and in detail. The Commission notes that the evaluation body will be able to take advantage of several different databases, gathering a more complete set of information.

(44) 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 the identification of the likely causal impact of the scheme itself (see recitals (19) to (25) above).

(45) The proposed timeline of the evaluation is reasonable in view of the characteristics of the scheme concerned (see recitals (27) to (31) above).

(46) The proposed criteria for the selection of the evaluation body on the basis of an open tender meet the independence and skills criteria (see recitals (32) to (33) above).

(47) The proposed modalities for the publication of the evaluation results are appropriate and ensure transparency. In particular, the Commission takes note of

[7] Further guidance is given in the Staff Working Document referred to in footnote 5 above.

the commitment to disseminate and make publicly available the results of the evaluation report (see recitals (34) to (35) above).

(48) 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 Document, and is suitable given the specificities of the aid scheme to be evaluated.

(49) The Commission notes the commitment made by the German authorities to conduct the evaluation according to the plan described in the present decision. The Commission also notes that the German authorities will submit a final evaluation report by 31 December 2023 (see recital (28) above) and an additional evaluation report by 30 June 2027 (see recital (30) above). The German authorities are invited to inform the Commission without delay of any element that might seriously compromise the full and timely implementation of the evaluation plan.

(50) The Commission notes the commitment made by the German authorities to take into account the evaluation results for the design of any subsequent aid measure with a similar objective (see recital (8) above).

(51) The Commission reminds 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.

(52) 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 the end of the validity of the GBER, and as from the date of the notification of this decision to Germany.

(53) 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.

4. CONCLUSION

(54) The Commission has accordingly decided:

– that the exemption of the national aid scheme for which the evaluation plan was submitted, shall continue to apply beyond the initial six-months period, until six months after the final date of applicability of Commission Regulation 651/2014 of 17 June 2014, as amended, as laid down in its Article 59.

– 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
Stateaidgreffe@ec.europa.eu

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President