Policy brief 2025/04

New State Aid Framework accompanying the Clean Industrial Deal – industriAll Europe's position

This document aims to analyse the CISAF. For more details on industriAll Europe's position on competition rules, please consult our policy paper n°2025/161 on "*Competition rules and practices: an industrial trade union approach*". For more details on the Clean Industrial Deal, please consult our separate assessments of the CID and its annexes.

Announced in the Clean Industrial Deal Communication on 26 February 2025, the new State Aid Framework accompanying it (also referred to as the 'CISAF') aims to provide, according to the European Commission, **greater investment certainty and a streamlined State aid process**.

This Commission communication **entered into force on 25 June 2025** and will remain in force **until 31 December 2030**. The Temporary Crisis and Transition Framework (TCTF), implemented after the Covid crisis, has been abolished and partially replaced by the CISAF.

It will ensure **flexibility for Member States** to authorise projects that meet certain objectives and criteria. It sets out streamlined **conditions** under which Member States can grant support, subject to a fast-tracked prior approval by the European Commission. Member States remain of course free to notify aid measures to the Commission on the basis of other State aid frameworks or directly on the basis of the Treaty, for which the approval will take more time. On 6th August, the Commission approved its **first decision under the CISAF**: a €11 billion French State aid scheme that will boost offshore wind capacity.

The CISAF is a framework scheme, structured around several main policy objectives:

- Accelerate the roll-out of **renewable energy and low carbon fuels**
- Aid for **non-fossil flexibility** measure
- Temporary electricity prices relief for **energy intensive users**
- Deploy **industrial decarbonisation**
- Ensure sufficient **manufacturing capacity of clean technologies** and **demand support for clean tech equipment**
- Aid to support specific **Innovation Fund Projects**
- **Reduce risks of private investments** related to Clean Industrial Deal objectives

Beyond these main objectives, the overall purpose of the text is to **strengthen the competitiveness of the European industry**. It should be seen as a tool that complements the CID as well as its other communications, such as the Affordable Energy Action Plan and sectoral action plans.

Key messages from industriAll Europe

- **General:** European competition law should be a tool serving the objectives of the EU's industrial strategy and promoting European industry. It must also **respect and protect social, workers' and trade union rights, protect and create quality jobs**. In this context, we welcome the European Commission's revision of the current State aid rules as well as the flexibility offered to Member States to encourage industrial decarbonisation and reach the Clean Industrial Deal objectives. However, we call for a thorough review of European competition rules – which the Commission has begun to undertake – in order to achieve these objectives, successfully managing the twin transition while strengthening the EU's resilience.

- **Investments for industrial decarbonisation and resilience**: However, supporting the competitiveness and decarbonisation of European industry and sustaining demand **cannot be achieved solely through State aid**. It must be accompanied by **systemic reforms and a genuine investment strategy**. The Commission itself recognised, in the Clean Industrial Deal and the CISAF**, the need for considerable investments** to achieve industrial decarbonisation objectives. State aid has a crucial role to play to support the EU industry in coping with an extremely volatile context while undergoing the twin transition. Moreover, it merely provides public funding for investments often decided by private companies, without the public sector being able to play a major role in defining these investments, their industrial/social objectives and their location. Consequently, for State aid to be useful and effective in terms of social, industrial and environmental objectives, it must be carefully conditioned and regulated. This could also put additional pressure on already tight public finance, in a **context of austerity and increase of defence expenditures** and could lead to increased fragmentation of the internal market, see below. We plead in general for a **reassessment of fiscal rules** and a **golden rule for investment**, as well as for the next **EU budget** (Multiannual Financial Framework, presented on 16 July 2025) to address how we fill the investment gap identified in the Draghi Report, including through own-resources, promotion of social fairness and redistribution.

- **Scope**: Regarding the different objectives of the CISAF: aid to accelerate the rollout of clean energy, aid to deploy industrial decarbonisation, aid to ensure sufficient manufacturing capacity in clean technologies and aid to reduce risks of private investments, our overall reaction is that we welcome the **wide scope of industrial activities concerned, in all sectors**, in order to support the reduction of emissions or increased energy efficiencies of industrial installations, if the provision of aid is strictly conditional to investment and quality jobs creation in Europe. The **Innovation Fund** plays a very important role, so it is positive to see a new section dedicated to projects that have been favourably assessed under this fund. However the wide scope of the CISAF requires adequate funding to be made available otherwise, Member states will just spread limited resources thinly while Europe's competitors invest heavily and in a coordinated manner. In strategic sectors, existing sites and related jobs, including in "Undertakings in difficulty", should be in the scope of the CISAF to allow governments to keep those industrial facilities and the know-how in Europe.

- **European and regional cohesion**: We have some concerns about an **accentuation of possible regional disparities**, due to governments' fiscal capacity, with not all of them able to attract industrial investment through large-scale State aid. This is exacerbated by the fiscal constraints being applied through economic governance rules. There is an important risk of **widening territorial inequalities in Europe** between the regions that will be able to attract tomorrow's industrial investment thanks to the quality of their infrastructures and the State aid granted, and those left aside.

- **Social conditionalities:** We welcome the excellent wording in the CISAF, which is better than the one of the provisional version. "*Member States are **strongly encouraged** to **add conditions to address***

***wider social and environmental policy objectives**. (...) Member States are encouraged to develop such conditionalities **together with social partners**. (...) This Communication provides tools for Member State that will contribute to the **creation of quality jobs and their durability** as well as to the net zero-objectives. Member States are encouraged to (...) **promote equitable labour market outcomes such as fair wages, decent working conditions, training and fair job transitions.**"* (recitals 22 and 23). We note that, for legal reasons (the CISAF being a communication text and not a binding text), no explicit obligation is mentioned in the text. However, the spirit and intention of the Commission are clear and will be taken into account in its assessment of the various aid notifications. More generally, we **call for streamlined mandatory social conditionality as prequalification criteria that should include the full respect for workers and trade union rights**, through all EU mechanisms. For us, these public subsidies must always be focused on the issue of employment (increasing, not reducing, the level of employment, good quality jobs, etc.).

Below, a comparative table with the Commission's proposal and our analysis. Please also have a look at this working document from the Commission, very useful for an overview of the possibilities offered by CISAF.

The Commission proposes	IndustriAll Europe's analysis
General – Introduction	
In short, the CISAF allows Member States to set up State aid schemes and quick individual aid grants. It provides a simplification of compatibility rules: necessity, appropriateness, proportionality are presumed. For instance, in some cases, there is no need to organise public consultation procedures, in order to speed up the process. **Social conditionalities**: See the point above, concerning recitals 22 and 23. **Undertakings in difficulty**: Aid under this Communication will in principle not be granted to undertakings in difficulty to ensure that only "viable" undertakings receive aid. However, the Commission mentions in recital 28 and section 8 **an alternative mechanism to the formal exclusion** of undertakings in difficulty from projects eligible for investments. **Relocation**: The aid cannot be provided to facilitate relocation of production activities within the EEA, in particular to prevent the aid from causing job losses (recital 172).	State aid can be a powerful policy tool to promote economic development, provide crisis response, implement industrial policies. We broadly welcome this flexibility offered to Member States. However, we highlight several risks associated with excessive reliance on State aid, such as a "subsidy race" and cohesion problems between Member States, as well as risks associated with excessive simplification. The CISAF will also coexist with other guidelines and specific texts on State aid, we want to ensure the overall consistency of these laws. **Social conditionalities**: We welcome the new wording proposed by the Commission on this point and note a change in its approach compared to previous years on social conditionalities. See our comment above, in the key messages. In general, beyond State aids, we call for **mandatory social conditionality as prequalification criteria that should include the full respect for workers and trade union rights**, in particular promoting collective bargaining and ensure the respect of collective agreements, guaranteeing participation,

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<tr><td></td><td>information and consultation of trade unions and workers' representatives, ensuring quality jobs creation, supporting training, upskilling and reskilling, limiting subcontracting chains, contributing to eliminate the pay gap between men and women and ensuring that companies receiving state aid cannot reduce employment levels.

We believe, more generally, that social conditionalities are a way of obtaining a better societal return on public money rather than focusing solely on price criteria.

<u>Undertakings in difficulty</u>: Given the difficulty to build European supply chains for strategic technologies where the EU is lagging behind its global competitors, State aid rules should allow Member States to provide support to companies manufacturing goods under the scope of the Net Zero Industry Act and the Critical Raw Materials Act in the circumstances of liquidity issues. The EU must extend the application of the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty beyond their current end date (31 December 2025).</td></tr>
<tr><td colspan="2">1. Aid to accelerate the rollout of clean energy and support electricity costs</td></tr>
<tr><td>The section refers now to renewable and low carbon energies, which differs from the provisional version of the CISAF where the focus was only on renewables.

A. Aid to accelerate the roll-out of renewable energy

<u>Scope</u>:
- investments for the production of renewable energy,
- investments in storage for Renewable fuels of non-biological origin, biofuels, bioliquids, biogas (including biomethane) and biomass fuels,
- investments in electricity storage and thermal storage</td><td>We think it is important to recall that Europe struggles with a disadvantage on energy costs compared with many of its competitors. European Member States and regions have different conditions for energy production. We believe that affordable and clean energy across Europe is necessary for industry, businesses and households. Structural reform of the electricity market is therefore urgently needed to secure the long-term viability of the European industry.

Regarding direct price support schemes and the two-way contracts for difference (CfDs), we addressed this point in our position on <u>electricity market design</u>, stressing the need to link them to social conditionalities. We also called on the Commission to ensure that these conditionalities are mandatory and unified across Member States, in order to avoid</td></tr>
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Under the form of **investments aids or direct price support**. Specific requirements to ensure the renewable source of energy and sustainability criteria. Specific bonus for SMEs. Schemes can be limited to **one or several technologies.** Projects must be operational within **48 months.** Members States "must ensure" compliance with the "Do no significant harm" principle. **B. Aid schemes to accelerate the rollout of low-carbon fuels (new section)** **Scope:** - investments for the production of **low-carbon fuels**, including recycled carbon fuels, low-carbon hydrogen and synthetic gaseous and liquid fuels the energy content of which is derived from low-carbon hydrogen - investments for the production of both **RFNBOs and low-carbon fuels**, falling outside the scope of the previous Section - investments in **storage for low-carbon fuels** Under the form of **investments aids or direct price support** (in this last case, aid grants must be the result of a competitive tender process). Aid may only be granted with respect to newly installed capacities. Project must be operational within 48 months. **C. Aid for non-fossil flexibility support schemes** **Scope:** This section supports new investment in non-fossil flexibilities. Ex: - investment for the construction of a new flexible capacity - to increase the flexibility or the installed power of an existing capacity - to extend the lifetime of an existing capacity - to change the primary energy source of a flexible generation asset from fossil to non-fossil inputs Under the form of contracts providing a direct grant. Aid amount is determined through a competitive bidding process. Measure approved for max 5 years.	fragmentation, specifically for the promotion of two-way contracts for difference, as they essentially **depend on national capacities to support companies through State aid**. Indeed, this would ensure the availability of a sufficient workforce, which will be **necessary for the accelerated roll-out of renewables and grids infrastructure, as well as for the other objectives of the CISAF**. Conditionalities should be comprehensively built into the framework to find a comprehensive strategy to address the needs for Europe's energy transition. In general on this section: There has been a shift in focus from renewable energy sources alone to low-carbon energy sources, including nuclear power. This captures the **diversity of decarbonisation levers** and, as such, encourage all low-carbon sectors keeping in mind the diversity of views and energy mixes across Member states. In countries having made the choice of nuclear energy, CISAF should support in priority European technologies and service providers where feasible. 'Do No Harm' principle and simplification of administrative processes: we believe workers and local communities should not have to make a choice between **jobs and a healthy environment**. Accelerating procedures should not come at the expense of public health and the environment. In this context, we encourage Member States to foresee additional support for the public administrations entrusted with permitting procedures. One of the key issues here would be to ensure the involvement of local communities through a transparent and inclusive process and make co-benefits for them mandatory (job creation, local content).

D. Aid for capacity mechanisms following a target model Very short section referring to the Electricity Regulation. **<u>Scope:</u>** Aid for capacity mechanisms, for either a strategic reserve or market wide target model capacity mechanism. Measure approved for 10 years max. **E. Temporary electricity price relief for energy-intensive users (new section)** **<u>Context:</u>** the Commission refers to sectors that are particularly exposed to international trade and heavily dependent on electricity for value creation. High electricity prices increase the risk of these industries relocating outside the Union to locations where environmental regulations are absent or less ambitious. Aid in the form of temporary electricity price relief.	
Scope: Sectors concerned are those listed in Annex 1 CEEAG (mining, manufacturing...), according to certain criteria (trade intensity and electro-intensity). **Rule of 4x50:** - Up to 50 % of the annual electricity consumption - Covers a reduction by 50 % of the yearly average wholesale market price in the bidding zone in which the beneficiary is connected - Reductions must not result in a reduced price below 50 EUR/MWh for the eligible consumption - Obligation to invest 50% of the aid amount into decarbonisation measures to reduce electricity system costs Aid granted for max 3 years. Can be cumulated with any other State aid or de minimis aid, or combined with centrally managed EU funds.	Given that the sectors concerned fall within the scope of IAE activities, **we welcome the temporary reduction in electricity prices for high-energy users,** which will provide relief to these sectors that are heavily exposed to unfair global competition and high energy prices. We believe that such a mechanism must be coordinated and harmonised at European level in order to ensure European cohesion and avoid any impact on regional employment, if certain regions have to cope with high energy prices without the possibility of a compensation mechanism. Energy-intensive industries in the EU, in particular, depend on internationally competitive electricity prices – in the medium term, the **establishment of an EU-wide industrial electricity price mechanism that ensures industrial electricity price parities in the EU as well as long term predictability**, including for the compensation for the indirect cost of the EU Emissions Trading System (ETS), would be a logical step to ensure equivalent transformation conditions across Europe

2. Aid for decarbonisation of industry	
Scope: Aid for investments **contributing significantly to reductions of greenhouse gas emissions** from industrial activities to achieve the climate ambitions of the Union or **leading to a substantial reduction of energy consumption** in industrial activities through the improvement of energy efficiency. **Industrial activities** = activities taking place in industrial installations that involve the **production of tangible final or intermediate goods at scale. Wide scope: all sectors**. Excluded: agricultural and fishery products, energy, investments in most polluting fossil fuels. The section includes a long list of technical criteria and exceptions. It includes a claw-back mechanisms under certain criteria and amounts (if the aid exceeds 30 million per undertaking per project). Aids granted must be the result of a competitive bidding.	**We welcome the wide scope**: all aid eligible will help support the reduction of emissions or increase energy efficiencies of industrial installations, including investments in energy infrastructure. We believe that investments aimed at decarbonising industrial activities must be planned by the EU and Member States and that they must ensure in parallel sufficient industrial production capacity to produce the corresponding technologies. We welcome the mention of **claw-back mechanisms** in the various sections of the CISAF. This is an important step towards a more **benefit-sharing approach**. These mechanisms must be conditional on respect for social rights and sustainability, as explained above.
3. Aid to ensure sufficient manufacturing capacity in clean technologies	
Scope: In short, Member States will have here more flexibility to provide aid **to incentivise investment projects that add manufacturing capacity for: production of final products and specific components** listed in Annex II CISAF. Very long list = batteries, solar technologies, onshore and offshore wind, heat-pump, hydrogen technologies... Investment aid schemes or ad hoc aids. **Aid intensity and amount** is higher in regions that are considered facing "economic and demographic challenges", in link with the Guidelines on Regional State Aid: in clear, those regions can benefit from a higher aid amount. Several provisions also reinforce the cohesion objective.	Our general position is outlined in the key messages above: we are calling for **massive investment, particularly in industrial decarbonisation**, in order to achieve emission reduction targets and a **green and Just Transition for the European industry.** We **welcome the wide scope** of this section, which will allow investments in a wide range of products, raw materials and components to decarbonise industry. We also welcome the long list in Anne and the consistency with **existing texts**, in particular the NZIA. Finally, we welcome the specific provisions relating to the **cohesion objective**: adjusting the intensity and amounts of aid to take account of **the realities of certain regions**, without hindering European cohesion.
4. Schemes to support specific innovation funds projects (new section)	
Scope: clean energy generation, industrial decarbonisation or clean technology manufacturing only.	This new section introduced in the final CISAF Communication is the wrong answer to a real problem. The **innovation fund** has been dramatically oversubscribed, showing a massive

This section is related to schemes supporting investments that have been **positively assessed under the Innovation Fund.** It is an EU funding programme for the deployment of innovative net-zero and low-carbon technologies, financed by EU Emissions Trading System. The conditions of the other CISAF sections apply. Aid must be granted on the basis of a scheme with an estimated budget, under the form of direct grants, repayable advances, loans, guarantees or tax advantages. The intensity and amount of aid would be adjusted according to the EU regions/areas receiving aid.	gap between climate investment needs and available European Funds. Bridging this gap requires mobilising new and additional resources at European level. It must be kept in mind that the geographical allocation of the projects supported by the Innovation Fund has been particularly uneven so far. Using State aids to bridge the climate investment gap will go against the cohesion objectives despite the specific provisions relating to the **cohesion objective.**
5. Aid to reduce risks of private investments related to the CID objectives	
In addition to the sections above, Member States can choose to incentivise private investors to invest in projects in: **renewable energy, industrial decarbonisation, clean technology manufacturing and energy infrastructure, or projects supporting the circular economy.** The maximum nominal amount of an investment per individual project cannot exceed EUR 250 million. Eligible projects can take the form of newly-issued equity, quasi-equity, loans, other debt instruments and guarantees.	Wide scope and good provisions on EU social cohesion, measures tailored to the realities of European regions. Important to note that the role of private investors can be a useful lever and complement, but it cannot replace a genuine public investment strategy.

Conclusion:

- We overall welcome the CISAF and think it is a necessary step towards longer-term industrial planning, **together with EU structural reforms** (on EU budget, fiscal and investment rules, competition policy, electricity market design, public ownership and planning).

- We believe State aid schemes should be **transparent and democratically defined** (which is covered in the new State aids transparency section at the end), while bound with **social conditionalities underpinning social and regional cohesion**.

- We welcome the wording on social conditionalities, which reflects the spirit and intention of the Commission on the topic. More generally, we **call for streamlined mandatory social conditionality as prequalification criteria that should include the full respect for workers and trade union rights**, through all EU mechanisms.

- Linked to the social conditionalities: it must also include a **ban on relocation**. We regret the weak paragraphs (36 and 172) on **the non-relocation of activities**, whereas we would have liked to see a genuine strategy for the relocation of industry and the **preservation of jobs**. Given the generosity of the public support, the commitments required from the beneficiaries seem insufficient: investments must be maintained in the area concerned for a few years after completion of the project, depending on the case. The beneficiary must simply declare that it has not relocated to the site where the investment will be made in the two years prior to the application and undertake not to do so in the two years following completion of the project. These conditions are difficult to verify. We regret that the Commission is not introducing a **more robust mechanism to prevent relocations**. Moreover, we would have liked to see a State aids mechanism directly including local content requirement and "Made in Europe".

- **Consistency with other legislative texts and regulations on State aid**: we call for the establishment of a coherent legal framework, including the systematic application of social and environmental conditions.

Profit sharing: we are in favour of including some **profit-sharing and claw back mechanisms**, so that not only the risks but also the potential benefits of State aid are socialised. This can be achieved, for example, through greater public sector participation in company capit