

Ms Margrethe Vestager
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A Europe Fit for the Digital Age
European Commission

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Subject: EU must resist pressure to dilute State aid rules

Dear Executive Vice-President,

I am contacting you to express BEUC's concern about the huge political pressure being exerted by some Member States to dilute, weaken or neutralise the EU's State aid rules in the name of boosting the competitiveness of European industry.

Such pressure is of course not new, but it has intensified recently in particular as a result of US subsidies available under the Inflation Reduction Act (IRA).

While EU support is needed to accelerate the green transition, our primary concern is that any weakening of the EU's State aid rules would risk causing serious harm to Europe's consumers in terms of less choice of products and higher prices. Essentially, companies not receiving generous subsidies would be less able to compete fairly with their subsidised competitors, even if they were more efficient, and that as a result, non-subsidised companies could either go out of business or be swallowed up by their subsidised competitors. A related concern is that generous subsidies to companies already in a strong market position would make it more difficult for potential new market entrants to compete. Such outcomes would result in markets that were more concentrated, where consumers would be denied the benefits of a choice of good quality products at competitive prices that they currently enjoy thanks to the EU's Single Market.

These disproportionate distortions of competition are even more acute because of the risk that, in the event of such a dilution of State aid rules, companies in those Member States with the deepest pockets would receive far more subsidies than companies based in Member States with tighter constraints on public spending, and notably smaller Member States.

The risk is that the EU's Single Market would in practice be divided into markets where subsidies were widely available and markets where they were not, thereby depriving consumers of the benefits of a Single Market where there is fair and undistorted competition.

We are also concerned about the risk that, if the State aid rules are diluted, such subsidies could constitute operating aid to the recipient companies rather than being conditional on investing in the net zero transition.

The fact is that the EU's State aid rules have been a major contributing factor towards ensuring fair and undistorted competition within the Single Market. Thankfully, the majority of Member States responding to your mid-January letter on updating the Temporary Crisis Framework recognise this. As you pointed out in your remarks on February 1st, the majority agree that "the Single Market is the key to our competitiveness. Whatever we do, we must avoid a subsidy race. If we compete individually as Member States, we lose as a whole".

BEUC fully supports your view expressed at the January 16th ceremony on the 30th Anniversary of the Single Market that “we don’t build competitiveness out of subsidies” and that “there cannot be any European competitiveness in the long term without a fully functioning Single Market”.

Thus, instead of creating further exceptions to EU State aid rules, BEUC supports a European solution in which the EU creates a fund, similar to the Next Generation EU recovery instrument, that could be used to support projects that correspond with the objectives of the green transition. This could be done by requiring the resources invested to be used to defend European industries’ competitiveness while at the same time contributing to the objectives of the Green Deal and improving consumers’ and citizens’ wellbeing. On top of this conditionality mechanism, there should also be stronger public scrutiny of how these common resources are used in practice, including a distributional impact assessment to ensure that the less affluent households are not excluded from the green transition.

Europe’s consumers should be able to continue to enjoy the benefits of the Single Market. Therefore, at BEUC, we count on the Commission to stand firm against political pressure to weaken the EU’s State Aid rules.

Yours sincerely,

Monique Goyens
Director General