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State aid: Commission opens in-depth inquiry into preferential electricity tariffs for Aluminium of Greece

The European Commission has opened an in-depth investigation under EU state aid rules to establish whether electricity tariffs granted by the Greek state-owned Public Power Corporation to Aluminium of Greece constitute illegal state aid. In particular, the Commission will examine whether electricity is supplied below the market price. The Commission will also investigate allegations that the state-owned Public Gas Corporation paid the construction costs of a gas pipeline belonging to Aluminium of Greece. The opening of an in-depth investigation allows interested parties to comment on the measures under assessment. It does not prejudge the outcome of the procedure.

Competition Commissioner Neelie Kroes said: "We have to make sure that Aluminium of Greece did not receive an unfair economic advantage over its competitors but paid, as everybody else, the market price for the electricity and gas it bought."

In July 2008 the Commission received two complaints alleging that Greece had granted incompatible state aid to the aluminium production company Aluminium of Greece through several privileges, namely tax exemptions, deferral of taxation obligations, loans with privileged terms, expropriation of land, exclusive use of seashore and sea area and lower electricity prices.

The Commission's preliminary view is that those privileges constituted state aid according to EU state aid rules. However, those privileges were put into force in the context of the company's establishment in 1960, long before Greece's EU accession in 1981. Most of them were not modified after the accession and constitute therefore existing aid, which need not be repaid.

However, as regards electricity prices, the Commission found that Greece had continued to apply lower electricity prices for Aluminium of Greece, for 15 months after the expiry of the establishment contract. The difference between the privileged pricing and the normal one would amount to €17.4 million.

The complainants also allege that Greece granted illegal aid to the company by allowing it to sell on the market electricity generated by its subsidised power plant. While the permission to commercialise electricity required Aluminium of Greece to return the subsidies for the power plant, the Greek state allegedly never recovered these. In the Commission's preliminary view, the non-recovery of the subsidies has not conferred an additional advantage, distinct from the subsidies which had already been found compatible by the Commission and would, therefore, not constitute state aid.

Allegedly, Greece also granted illegal aid to the company by paying part of the cost of the construction of a high-pressure natural gas pipeline to connect the company's co-generation power plant with the national gas transmission grid. Despite the Commission's repeated requests, Greece has to date failed to provide any information on this allegation.

Under EU state aid rules, interventions by public authorities in companies carrying out economic activities can be considered free of aid if they are made on terms that a private agent operating under market conditions would have accepted (the market economy investor principle). During the formal investigation procedure, the Commission will therefore check whether the state acted as a market economy vendor when engaging into energy-related transactions with Aluminium of Greece.

The non-confidential version of the decision will be made available under the case number NN 62/2009 in the [State Aid Register](#) on the [DG Competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).