



State aid: Commission approves Hungary's €45 million investment aid to BorsodChem

Brussels, 28 September 2018

The European Commission has found Hungary's €45 million investment aid to chemical company BorsodChem Zrt to be in line with EU State aid rules.

The aid will contribute to the development of the region of Northern Hungary and reduce environmental risks, without unduly distorting competition in the Single Market.

The €45 million investment aid granted by Hungary will support BorsodChem's plan to invest in total €142 million in a new facility for the production of aniline at BorsodChem's existing plant in Kazincbarcika (Hungary), where the company currently manufactures methylene diphenyl diisocyanate (MDI). Aniline is an essential input for the production of MDI, a chemical compound used as a raw material in a wide variety of sectors (such as construction and automotive) and products (such as household appliances, clothing and footwear).

BorsodChem is a subsidiary of the Wanhua Industrial Group, and currently imports aniline from its mother company established in China. The construction of the new aniline production facility will, therefore, increase the vertical integration of BorsodChem's existing manufacturing plant in Kazincbarcika.

The project is expected to create at least 50 direct jobs. Kazincbarcika is located in the Northern Hungary region, an area eligible for regional aid ([Art. 107\(3\)\(a\)](#) of the Treaty on the functioning of the European Union).

The Commission assessed the aid measure under the [Guidelines on Regional State Aid](#) for 2014-2020, which enable Member States to support economic development and employment in EU's less developed regions and to foster regional cohesion in the Single Market.

The Commission found that, without the public funding, the project would not have been carried out in Hungary or any another EU Member State, as it would have been cheaper for the beneficiary to continue importing aniline from the group's existing production plants in China. The Commission also found that the aid is limited to the minimum necessary to make the project sufficiently profitable for the company to decide to make the investment.

The project will contribute to job creation and the economic development of a disadvantaged region. In addition, it will also reduce the risks for the environment caused by the long distance transportation of aniline, which is a toxic material. The effects on competition, on the other hand, will be limited given BorsodChem's limited market position and the strong growth rates in the MDI markets both in Europe and worldwide.

The Commission therefore concluded that the positive effects of the project on regional development and on the EU's environmental objectives clearly outweigh any distortion of competition brought about by the State aid.

Background

The aid is granted in the framework of pre-existing aid schemes, but had to be notified to the Commission for individual assessment and clearance because of the high aid amount that carries a higher risk of distorting competition.

When approving an aid measure under the [Guidelines on Regional State Aid](#) for 2014-2020, the Commission has to be convinced that the following conditions are respected:

- The aid must have a real "incentive effect", in other words, it must effectively encourage the beneficiary to invest in a specific region.
- The aid must be kept to the minimum necessary to attract the investment to the disadvantaged region.
- The aid must not have undue negative effects, such as the creation of excess capacity in a declining market.

- The aid must not exceed the regional aid ceiling applicable to the region in question.
- The aid must not directly cause the relocation of existing or closed down activities from elsewhere in the EU to the aided establishment and
- The aid must not divert investment away from another region in the EU which has the same, or lower, level of economic development than the region where the aided investment takes place.

The non-confidential version of the decision will be made available under the case number SA.49580 in the [State aid register](#) on the Commission's [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](#).

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