Speech by EVP Margrethe Vestager at the High-Level Forum on State Aid

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- Check against delivery -

Good morning,

I'd like to begin by extending a warm welcome to our external speakers, Mr Letta and Mr Schrooten, and to thank them for their participation. Mr Letta recently published his interesting report, and he appropriately entitled it 'Much More than a Market': I think that it is a very appropriate title because it indicates the importance of the Single Market It is at the heart of European integration and a source of opportunities for citizens and companies. And precisely because it is more than a market, we must ensure that it is a well-functioning and competitive market.

This State aid High-Level Forum is the last one of this Commission's mandate. So, let me thank you for your cooperation throughout this mandate. By working together, we managed to get so much done at a time when swift action was needed.

Let's start with Covid. It seems like a long time ago, I know. It's almost surreal to recall how much it upended our lives and how suddenly it hit us. But it's also worth remembering how quickly we were able to react. Within two weeks from the pandemic had caused urgent shutdowns and closed borders , we had in place the Temporary Framework. This enabled Member States to provide support to their economy throughout the pandemic.

It is also easy to forget how much criticism we received at the time. Critics suspected the Temporary Framework would be used to approve distortive aid; aid that would normally have been blocked. In fact, that didn't happen. It's true the sums were enormous: over 1.3 trillion euros of aid was approved in just over two years, with around 440 billion euros actually granted between 2020 and 2022. But it's equally true that spending was proportionate to the economic damage caused by the pandemic.

Then came Russia's awful aggression against Ukraine, and we moved from one unprecedented crisis, straight into another. Once again, we were able to respond swiftly, first with the Temporary Crisis Framework and then with the Temporary Crisis and Transition Framework.

And again, our critics were not shy in pointing to the risks of subsidy races and distortions to the Single Market. . We ensured continuous consultation with Member States, even if sometimes deadlines were very tight. That way, we worked together, with swift amendments and updates where needed. And with an eye on making sure aid remained proportionate and well-targeted to companies affected by the crisis. The final results are not yet in, but the good balance of industrial growth across the Member States is not pointing to any large distortions. Europe's industry demonstrated its resilience, with the latest figures showing a return to positive growth in industrial production, both for the euro area and the EU as a whole.

In light of this improved economic outlook, the remaining crisis sections of the TCTF will soon phase out – many have phased out already. Where specific issues persist, namely for companies active in the primary production of agricultural products as well as in the fishery and aquaculture sectors, we allowed for a limited prolongation until the end of the year.

Of course, the difference between the Covid framework and the Temporary Crisis and Transition Framework is that the latter is not only about remedying consequences of a crisis. It also includes temporary rules to accelerate the transition to a net-zero economy and reduce the dependency on fossil fuels. This framework sets simple rules available until end of 2025 to speed up renewable energy deployment and industrial decarbonisation. It also enables Member States to accelerate investments in the production of strategic equipment for the net-zero transition such as batteries, solar panels, wind turbines and heat pumps. 'Business as usual' is simply not an option for the planet, there is no turning back. Investments must take place now.

This is also reflected in the policy priorities we set for funding under the Recovery and Resilience Facility and

RepowerEU.

Despite the successive crises, the Commission went full speed ahead on core European objectives, namely, to lead the green and digital transitions with a resilient economy. With this in mind, we have revised a large share of the non-crisis rules to make them fit for purpose.

For instance, the Climate, Energy and Environmental aid Guidelines were revised, taking important steps towards decarbonisation, security of supply and affordability of energy. Many other important State aid guidelines were also part of this ambitious revision package, such as those concerning Important Projects of Common European Interest, regional aid, Research Development & Innovation, broadband and risk finance for start-ups, SMEs and small mid-caps. We have also updated the general and fisheries *de minimis* rules. And earlier this month, we announced a further update of the agriculture *de minimis* rules. This allows us to take into account the inflationary pressure in recent years and the current context of high commodity prices affecting the agricultural sector.

Last, but not least, we adopted targeted amendments to the General Block Exemption Regulation. They facilitate and speed up the implementation of measures supporting the twin transitions where the risk of distortion of competition is limited. By increasing the thresholds and adding new aid categories, we reduce the administrative burden for your administrations, and we make sure that our limited resources are allocated to assess the most distortive measures. Over 9 out of 10 non crisis support measures fall under this regulation.

Only last week the Commission amended the Regional aid Guidelines to enable higher aid amounts for investment projects covered by the Strategic Technologies for Europe Platform to spur further economic development, while preserving cohesion objectives.

This is crucial to the success of the green transition: achieving net zero must come with achieving cohesion objectives, to keep the Single Market safe and make sure that no one is left behind.

Our focus on resilience and safeguarding EU competitiveness has been just as strong. The success of Important Projects of Common European Interest is one very visible part of that. With eight projects already 'served up', and two new ones 'just coming out of the oven last week', these projects cover the full breadth of Europe's cutting-edge innovation economy: from microelectronics to batteries; from hydrogen to cloud computing. With the new projects adopted last week, we extended the sectoral coverage of this instrument to health and mobility.

Another big change has been the Foreign Subsidies Regulation. The first cases were initiated this year in the procurement of trains and solar panels. We recently ramped up by launching investigations in wind turbines and security equipment sectors. The new regulation responds to the new global realities facing Europe. . It defends the level playing field. It ensures that all firms active in Europe face fair competition.

This can be said about all our competition rules: State aid rules and also merger control and antitrust rules foster competitiveness by making sure that companies compete on their merits.

Competition policy never rests. For State aid, there will also be important questions to answer during the next mandate. When we convened here last year, I invited you to reflect on what our strengths are. What is our business model and how can we make it work, faced with the geo-political challenges and the need to transition our economy? Finally, what kind of Union do we wish to see five years from now, ten years from now?

These questions are all still on the table, and there are fresh reflections too – Enrico Letta's report has given us further food for thought.

Sectors like clean tech, critical raw materials, essential medicines, semiconductors or the European defence sector are key: our well-being, our core policy objectives, the success of the Union as a whole depend on them. How can we ensure the resilience of these key sectors, while at the same time maintaining the principles that have kept the Single Market strong for so long?

For me, there are clear answers to this question: first, by achieving a stronger Single Market. And also, by exploring new policy initiatives to balance the benefits and share spillovers across Member States.

We must also continue to ensure that markets work for people and meet basic needs of European citizens. One example is affordable housing. The matter is complex, and I anticipate that this will be one of the challenges of the next mandate. Rental costs and house prices almost everywhere in the EU have risen over the last decade. Not only low-income households, but also middle-income families, struggle to pay for housing. Member States may support housing through various instruments, for instance through 'no aid' measures or as part of a Service of General Economic Interest. You will discuss more in detail about State aid in the field of social and affordable housing with DG Competition at the upcoming high level meeting end June.

State aid policy must continue to fulfil its mandate to avoid undue distortions to competition, while allowing the EU to stay at the forefront of innovation, cater for cohesion and lead the twin transition. The EU will need to maintain a balance and continue to adapt its State aid policy to changing market conditions and other policy developments while preserving a competitive Single Market.

The strategy of going for more Europe, rather than less, might seem a little controversial in today's political climate. Certainly, it will take political courage. It will mean standing up against the voices of fear and populism that want to stop us from moving forward.

Looking back on what we have already accomplished, in these past 5 years alone, I believe Europe can deliver if we work together.

Thank you.

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