Ref. Ares(2020)5071176 - 28/09/2020

Meeting with [redacted] ArcelorMittal
14 July 2020, 17h30-18h00

Crisis/Recovery measures that could be used for the steel sector

*On 27 May, the Commission presented a **€2.4 trillion Recovery plan for Europe** and a powerful and modern EU budget to deliver a more sustainable, digital, and fair Europe. This Recovery plan consists of:*

- ***Next Generation EU**: a new recovery instrument of **€750 billion** which will boost the EU budget with new financing raised on the financial markets for 2021-2024; and*
- ***A reinforced long-term budget** of the EU for 2021-2027 of **€1.1 trillion***
- *It goes alongside the **three safety nets** of **€540 billion** in loans, already agreed by Parliament and Council.*

*To ensure the recovery is sustainable, even, inclusive and fair for all Member States, the European Commission proposed to create a new recovery instrument, **Next Generation EU**, embedded within a powerful, modern and revamped long-term EU budget. The Commission has also unveiled its adjusted Work Programme for 2020, which will prioritise the actions needed to propel Europe's recovery and resilience.*

*As part of the EU Recovery Package, the European Commission published its proposal for a Regulation of the European Parliament and of the Council establishing a **Recovery and Resilience Facility** (COM(2020)408. It will provide Member States with financial support to enable and encourage the recovery through reforms and investments.*

*Moreover, the European Commission also proposed a new **Solvency Support Instrument (SSI)** to mobilise private resources to urgently support economically viable but solvency-constrained European companies in the sectors, regions and Member States most economically impacted by the coronavirus pandemic. It will help otherwise healthy companies weather the storm, protect and rebalance the Single Market, with a focus on companies in those Member States where national solvency support is more limited.*

*Finally, the enhanced **InvestEU programme** is another crucial investment support instrument within the EU Recovery Package. It is uniquely suited to mobilise investment and support the EU policy priorities during the economic recovery phase and thereafter. Our proposal is based on the experience gained with the Investment Plan for Europe and, in particular, the European Fund for Strategic Investments (EFSI). The InvestEU will ensure a strong focus of investors on the EU's medium- and long-term policy priorities, such as the European Green Deal, the digitalisation transition and greater resilience.*

Main messages

- The outbreak of the coronavirus pandemic has changed the economic outlook for the years to come in the European Union. Investments and reforms are needed more than ever to ensure convergence and a sustainable economic recovery.
- The European Commission is responding to this situation with a powerful recovery and investment support package to help the Member States, and the European economy as whole, to exit from the current crisis stronger, more resilient and prepared for our green and digital transition.

Recovery and Resilience Facility

- **First, with the Recovery and Resilience Facility,** the European Commission wants to support EU countries in those investments and reforms. The proposed Facility combines **€310 billion in grants with €250 billion in loans** to be used for reforms and investments in the EU's common priorities, notably the green and digital transition. It will help create jobs and sustainable growth, while modernising our economies, and allow the Union to recover in a balanced, resilient, forward-looking and sustained manner.

Solvency Support Instrument

- **Second, the Solvency Support Instrument** with a budget of **€31 billion**, aiming to mobilise **€300 billion**, will provide short-term solvency support to viable European companies in the sectors, regions and countries most affected by the crisis.

InvestEU

- **Third**, **the reinforced InvestEU programme,** will provide support to private and public investments to help the EU return on the economic growth path. It will ensure a strong focus of investors on the EU's medium- and long-term policy priorities, such as the European Green Deal, the digitalisation transition and greater resilience. Based on the success of the European Fund for Strategic Investments, with €34 billion EU budget reserved for the guarantees, we expect the InvestEU to mobilise up to **€1 trillion** of public and private investment in the next seven year (EU budget) period.
- Furthermore, **the new Strategic European investment window of the InvestEU** shall help to address the future needs of the European economy and to ensure strategic autonomy in key sectors. The primary focus of this new (fifth) window would be on supporting those activities that are of strategic importance to the Union such in areas of critical healthcare and infrastructure as well as key enabling technologies (including decarbonisation technologies for industry).
- This comes in addition to the support available under the **Research, innovation and digitisation policy window** that would support the digitisation of EU industry allowing the companies advance in their digital transformation/transition.
- As part of our Recovery package proposals, we have also reinforced the **Just Transition Mechanism**. The overall budget of the Just Transition Fund has been increased to **€40 billion** and the Just transition scheme under InvestEU will be reinforced. The European Commission has also presented its proposal for a new public sector loan facility, which will mobilise between €25 and €30 billion and will be deployed by the EIB.
- In total, the **Just Transition Mechanism** is now expected to mobilise at least **€150 billion** of public and private investment for the just transition regions.
- The **iron and steel sector** are in principle eligible under the **Solvency Support Instrument** and **InvestEU**, especially for helping the sector to make the transition towards a low-carbon, more sustainable economy and also to support the digitalisation of the Union industry.

Just Transition Plans

- The European Commission is giving a helping hand to Member States to ensure a just transition, by providing targeted support for investments and for technical assistance.
- Each Member State will draft and finalise its territorial just transition plans, in dialogue with stakeholders.
- **Stakeholders, including the steel industry, can engage with the relevant Member State authorities in the preparation of the just transition plans.**

Defensives:

What is the expected timeline for the approval of the recent proposals? And for the disbursement of the funds?

- The European Commission realises that time is of the essence and engages with the Parliament and Council to discuss the proposals in order for an approval as quickly as possible.

- For **the Solvency Support Instrument and the InvestEU programme,** the Commission and potential implementing partners, which will contribute to the deployment of the two instruments, also need to agree and sign guarantee agreements. As soon as these are in place, companies and other prospective programme beneficiaries will be able to start to apply for financing.
- Our objective remains to launch all proposed budget programmes and new Next Generation instrument **in 2021.**
- For **the Recovery and Resilience Facility,** it will mean that Member States will be able to submit their recovery plans from early next year. However, to provide support as quickly as possible, we will encourage Member States to submit **their first draft plans already this autumn**. The earlier the Member States submit their plan, the easier it will be for the Commission to make an analysis of them.
- **The disbursement of the financial contribution will follow the completion of the milestones and targets** agreed with the Member State concerned. So depending on the rapidity of the Member States to make progress on the milestone and targets, disbursements could already take place in the course of 2021.

Can the steel industry receive support under any of these instruments and how can these funds actually be accessed?

1. EFSI/Solvency Support Instrument

- The **Solvency Support Instrument**, deployed as a new window under the current European Fund for Strategic Investments (EFSI), will help match the **recapitalisation needs** of otherwise **healthy companies** across Europe, which are at risk because of the crisis.
- The new instrument is a **temporary crisis instrument**. It will help otherwise healthy companies weather the storm, protect the Single Market and strengthen cohesion across the Union, with a **focus on** companies in those Member States and sectors **most economically impacted by the pandemic**, and in **Member States where national solvency support** is more limited.
- Companies with a certain level of exposure to a pre-defined list of environmentally harmful activities, in particular the sectors covered by the EU Emissions Trading System (EU ETS) – such as **the iron and steel sector**, shall be encouraged to put in place, in the future, **green transition plans**. Companies shall also be encouraged to advance in their digital transformation. Technical assistance shall be available to assist companies for the purpose of these transitions.
- The instrument will work via an **EU guarantee** provided to the European Investment Bank Group under the European Fund for Strategic Investments (EFSI), and as a result will be implemented by **the European Investment Bank (EIB) and European Investment Fund (EIF).** The EIB Group will use this guarantee to provide financing directly or invest in, fund or guarantee equity funds, special purpose vehicles, investment platforms or national promotional banks. These intermediary funds or vehicles must be established and operate in the EU.

2. InvestEU

- InvestEU is the EU's proposed **flagship investment programme** to kick-start the European economy and support its recovery. It is well-placed to provide medium- and long-term funding and **to support Union policies** in the recovery from a deep economic and social crisis. It will ensure a strong focus of investors on the Union's policy priorities such as the European Green Deal Investment Plan and the Strategy on shaping Europe's digital future.

- InvestEU will be deployed under **five windows**: (i) sustainable infrastructure; (ii) research, innovation and digitisation; (iii) small and medium-sized businesses; (iv) social investment and skills and (v) the recently added strategic European investment window.

- **Priority areas** for InvestEU intervention will be:

  - investments for decarbonisation of and substantial reduction of emissions of **energy-intensive industries,** including deployment of innovative low-emission technologies including carbon capture and storage (CCS) and carbon capture and utilisation (CCU);

  - any operation that promotes **the decarbonisation of the energy production and distribution chain** by phasing out the use of coal and oil;

  - transition to **circular economy**, including the sustainable supply of raw material;

  - building stronger European value chains in line with the strategic agenda of the Union and the New Industrial Strategy for Europe, as well as supporting activities in critical infrastructure and technologies in order to reinforce the strategic autonomy and resilience of the European economy.

- InvestEU will be deployed via **implementing partners**, such as the **European Investment Bank (EIB) Group**, our strategic partner, and other international financial institutions or national promotional banks, such as the **EBRD, NIB, and CDP**.

3. Recovery and Resilience Facility (RRF)

- The new Recovery and Resilience Facility will provide large-scale financial support to **growth-enhancing reforms and public investments** undertaken by Member States, with the aims of mitigating the economic and social impact of the coronavirus pandemic and of making the EU economies more sustainable, resilient and better prepared for the challenges posed by the green and digital transitions.

- The dual dimension of the facility, focused on both reforms and investments, is of great importance to ensure that the funds are well spent and the plans will foster a sustainable recovery. Reforms will ensure adequate framework conditions for the investments and thereby ensure that investment will have significant and lasting impact on economic and social resilience and growth potential.

- The RRF will help Member States to address **the challenges identified in the European Semester.** It will also ensure adequate focus of these investments and reforms based on the **green and digital transitions.**

4. Just Transition Plans

- All relevant stakeholders, **including businesses**, will be consulted by the national authorities during the preparation of the Just Transition Plans.

Can the Just Transition Fund support technologies based on the use of hydrogen?

- The Just Transition Fund can only support investments in the deployment of technology and infrastructures for affordable clean energy, in greenhouse gas emission reduction, energy efficiency and renewable energy. This includes, in principle, hydrogen.

- The production of hydrogen is eligible if it comes from renewable energy sources (i.e. based on water electrolysis). Its use, distribution, and transport is also eligible.

Can the Just Transition Fund finance the restructuring of enterprises? How and how much?

- The Just Transition Fund can finance investments, as all cohesion policy funding does. Therefore, it depends what "restructuring" means.
- If it is about "greening" industrial processes and making them less greenhouse gas emitting, the answer is clearly yes – provided they are in line with the territorial Just Transition plan. There is no limit established for these types of investments of for any other type – this may be agreed, if needed, in the framework of territorial Just Transition plans.
- However, the JTF will not finance early retirement schemes or compensation schemes for workers' layoff.

5. Special Economic Zones

How can a business benefit from Special Economic Zone benefits?

- Businesses planning to establish activities in the areas designated, or already active there, can make a request for the SEZ benefits on incremental investments up to a maximum of EUR 50 million per investment.

Contacts – briefing coordination: [redacted]