



## **“The voice of SMEs in Europe”**

### **Press Release**

FOR IMMEDIATE ISSUE

## **Guidelines on environmental State aid must be brought closer to reality**

**Brussels, 2 July 2007.** The revised “Community Guidelines for State Aid for Environmental Protection” represent a significant improvement over the existing rules, although theoretical oversights and practical shortcomings remain to be fixed, according to UEAPME. In a position paper published today (Monday), the European craft and SME employers’ organisation put forward a set of remarks both on the conceptual approach underpinning the Commission document and on SME-specific demands (1). UEAPME is concerned with the EC definition of eligible costs for investment aid, and calls for better support measures to improve access to information and encourage SME investments in energy efficiency and environment protection.

*“The new guidelines on environmental State aid are an important instrument in the wider context of the European Sustainability Strategy and of the new EC Energy Action Plan”, said **Gerhard Huemer**, UEAPME Director for Economic and Fiscal Policy. “However, their coherence with the EC ‘less and better targeted aid’ principle can definitely be improved, when it comes to defining costs and providing the right incentives.”*

A key point for discussion is the description of eligible costs for investment aid. The calculation method suggested by the EC is largely based on the existing guidelines, which have proven to be impractical to the point of being rarely used, according to the information UEAPME collected from aid providers. The current definition narrows down covered costs by subtracting all operating benefits from the total expenses for environment protection and/or energy saving investments. *“Such a strict method, coupled with a relatively low aid intensity, means that SMEs are not encouraged to invest a euro more than what they would have spent without any kind of aid”*, commented Mr Huemer, who suggested broadening the meaning of eligible costs.

Moreover, the draft guidelines do not properly tackle some of the reasons for SMEs’ underinvestment in energy efficiency and environment protection. For instance, SMEs still lack awareness on their potential to increase energy efficiency. According to a recent survey conducted in Germany, SME owners believe that their capability is far below 10%, while experts and researchers expect it to be 20% on average. The provision of State aid for consulting and project management services is therefore essential. To this end, UEAPME proposed the inclusion in the guidelines of a specific chapter with “safe harbour” measures on energy consulting for SMEs.

Limited financial resources are another factor to be considered. In a small company, investments in energy efficiency compete against current expenses and other investments with a higher return on competitiveness or with a superior cost-saving potential. The possibility to invest is further decreased by a very low equity ratio, with SMEs highly dependent on debt finance, and by the reduced energy intensity in the majority of small businesses. According to UEAPME, State aid rules should create incentives and design specific financial instruments capable of increasing energy efficiency and environmental protection standards while at the same time avoiding a “crowding out” effect that reduces or endangers the capacity for other investments.

Finally, UEAPME urged the Commission to ensure that aid measures promoting renewable energy are kept source-neutral and technology-neutral. State aid schemes should ensure that investments are channelled towards the most cost-efficient renewable source available to ensure the most economical use of public funds.

*“We trust that the European Commission will take our comments into due account during the ongoing consultation process and in the discussions with Member States. Our proposals would bring the text more in line both with its intended aims and with the practical needs of European crafts and SMEs”*, concluded Mr Huemer.

\*\*\*\*\* END \*\*\*\*\*

(1) [http://www.ueapme.com/docs/pos\\_papers/2007/070702\\_pp\\_StateAidEnvironment.pdf](http://www.ueapme.com/docs/pos_papers/2007/070702_pp_StateAidEnvironment.pdf)

**EDITORS’ NOTES:** UEAPME is the employers’ organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 81 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner.

Further information: Gerhard Huemer, Director, Economic and Fiscal Policy, Tel. +32 2 230 7599

Francesco Longu, Press and Communications Officer

Email: [pressoffice@ueapme.com](mailto:pressoffice@ueapme.com) - Web: [www.ueapme.com/pressroom/](http://www.ueapme.com/pressroom/)