COMMISSION DECISION

of 31 July 1987

approving aid from Spain to the coal industry during 1987

(Only the Spanish text is authentic)

(87/454/ECSC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community,

Having regard to Commission Decision No 2064/86/ECSC of 30 June 1986 establishing Community rules for State aid to the coal industry [1],

Whereas :

I

In its communications of 3 October 1986, 14 November 1986, 22 December 1986 and 19 May 1987, the Spanish Government informed the Commission, pursuant to Article 9 (2) of Decision No 2064/86/ECSC, of the financial measures it intends to take directly or indirectly for the benefit of current production in the coal industry in 1987. Whereas the following measures are submitted for the approval of the Commission under the above Decision :

	(Ptas million)
— aid to cover operating losses	37 117,2
— investment aid	405,0
— aid to promote innovation	150,0
— aid to cover the difference between effective and normal social charges	526,0
— compensatory payment of Ofico	8 400,0

The aid totalling Ptas 37 117 200 000 to cover operating losses will be granted to the Hunosa, Figared, Hullasa and La Camocha undertakings for a volume of together 4 956 000 tonnes of production in order to cover the difference for each tonne produced, between foreseeable average costs and the foreseeable average revenue. The aid will not exceed the anticipated operating losses and hence complies with the conditions of Article 3 (1) of the Decision.

The aid to cover operating losses is aimed at preventing premature pit closures. In accordance with the third indent of Article 2 (1), this contributes to solving the social and regional problems related to developments in the coal industry.

The investment aid of Ptas 405 million is proposed for investment projects in mines of different undertakings. The aid will cover 20 % of the total investment which amounts to Ptas 2 000 million Ptas. The aid complies with the provisions of Article 5 (1) and 5 (2) of the Decision for every coal entreprise.

In relation to the Community's policy on coal, the investment aid for 1987 is to be regarded as beneficial since it will help to improve the competitiveness of the coal industry in accordance with the first indent or Article 2 (1) of the Decision.

The Spanish Government envisages granting in the course of 1987 an aid to promote innovation in the coal industry. This aid, amounting to Ptas 150 million, is shared among the following coalfields : la Central Asturiana, Bierzo Villablino, Narcea, Léon, Aragón, Cataluna and the Baleares.

This aid is intended to ensure that research results find practical applications in production as quickly as possible.

The aid has to be notified to the Commission under Article 9 (2) and Annex 2 b to the Decision as 'other' measures. Such measures have to be assessed in accordance with Article 10 (2) of the Decision on the basis of Article 67 of the ECSC Treaty.

The Commission has undertaken the examination provided under Article 67 of the ECSC Treaty and has reached the conclusion that the aid to promote innovation does not confer to the Spanish coal industry any particular competitive advantage contrary to the common market.

The measure will help to improve competitiveness in accordance with the first indent of Article 2 (1) of the Decision.

The notifications submitted to the Commission by the Spanish Government on measures to finance social benefits in the coal-mining industry show that State contributions to the social security systems of the coal-mining industry make the effective social charges of coal undertakings lower than the standard changes the undertakings would have to bear in accordance with Article 7 of the Decision. The difference for the coal-mining industry amounts to Ptas 526 million. Accordingly, the limits drawn in Article 7 of the Decision are exceeded by this amount, which must be therefore regarded as indirect aid to current production. The production costs of undertakings are artificially reduced through low social charges (Ptas 21 per tonne = 0,1 % of total production costs).

The State contributions to the social security systems of the coal-mining industry constitute a general measure under Article 67 of the ECSC Treaty. Compared with the other coal producers in the Community, reducing the production costs by 0,1 % does not represent any particular competitive advantage for the Spanish coal-mining industry taking into account the relation existing between revenue and production costs. Exceeding the limits set in Article 7 of the Decision by Ptas 526 million can therefore be approved as a general measure under Article 67 of the ECSC Treaty on the condition that such a measure shall be applied to cover losses. The measure also helps to ease the social problems referred to in the third indent of Article 2 (1) of the Decision.

[1] OJ No L 177, 1. 7. 1986, p. 1.

A compensatory payment of Ptas 8 400 million for 1987 is envisaged through Ofico (Oficina de Compensacion de la Energia Eletrica) in favour of the electricity-producing undertakings under the new system of purchase of coal for use in power stations. This system is intended to bring into line, in a rational manner, supply with forecast demand and to increase the competitivity of the coal industry.

These coal undertakings, within the framework of reference prices provided under the new system, which have a negative profit and loss account (except for those undertakings benefiting from a programme contract) may ask the electricity-producing undertakings with which they have signed a contract for the supply of coal for a supplement over and above the reference price.

The price supplements paid by the electricity companies are to be repaid to them through Ofico.

This intervention has to be notified under Article 9 (2) and Annex 2 b of the decision under 'other' measures. Assessment of measures of this kind should be made in conformity with Article 10 (2) of Decision No 2064/86/ ECSC, on the basis of Article 67 of the ECSC Treaty.

The Commission has undertaken the examination provided under Article 67 of the ECSC Treaty and has concluded that the measure was compatible with Article 67 of the ECSC Treaty. The measure also contributes to the solution of social problems in accordance with Article 2 (1), third indent.

II

The following observations should be made on the compatibility of the proposed aid to current production with the proper functioning of the common market:

— there are unlikely to be supply difficulties in 1987 in view of pithead stocks of coal and coke,

— Spanish coal prices should not, in principle lead to indirect aid to industrial coal users in 1987;

Therefore the aid to be granted to the current production of the Spain coal industry in 1987 is compatible with the proper functioning of the common market;

III

Pursuant to Article 11 (2) of the Decision, the Commission must ensure that the direct aid to current production which it approves is used exclusively for the purposes set out in Article 3 to 6 thereof. The Commission must therefore be informed in particular of the amounts of payments and the manner in which they are apportioned,

HAS ADOPTED THIS DECISION:

Article 1

Spain is hereby authorized to grant aid totalling Ptas 46 598 200 000 to the Spanish coal industry with effect from 1 January 1987 for the 1987 calendar year.

The total amount shall be made up of the following aids:

1. an amount not exceeding Ptas 37 117 200 000 in aid to cover operating losses;
2. an amount not exceeding Ptas 405 million in investment aid;
3. an amount not exceeding Ptas 150 million in aid to promote innovation;
4. an amount not exceeding Ptas 526 million to cover the difference between effective and normal social charges;
5. an amount not exceeding Ptas 8 400 million in the framework of the intervention of Ofico.

Article 2

The Spanish Government shall inform the Commission

— by 30 September 1987 of the extent to which the amounts of aid laid down in this Decision are likely to change in view of the pattern of aid payments in the first nine months of 1987;

— by 30 June 1988 of the actual amounts of aid paid in 1987.

Article 3

This Decision is addressed to the Kingdom of Spain.

Done at Brussels, 31 July 1987.

For the Commission

Nicolas MOSAR

Member of the Commission