II

*(Acts whose publication is not obligatory)*

# COMMISSION

## COMMISSION DECISION

**of 8 September 1988**

**approving aid from Spain to the coal industry during 1988 and additional aid to the coal industry during 1987**

**(Only the Spanish text is authentic)**

(88/505/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

By letters of 2 October and 20 October 1987, and 7 January, 16 May and 13 June 1988, 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 during 1988 in order to give direct or indirect support to the coal industry. The following aid is submitted for the approval of the Commission pursuant to abovementioned Decision :

| | *(Ptas million)* |
|---|---|
| — aid to cover operating losses | 49 029,3 |
| — aid to sales of coal and coke to the Community iron and steel industry | 1 400 |
| — investment aid | 605 |
| — aid to promote innovation | 350 |
| — compensatory payment of OFICO | 8 400 |

The aid totalling Ptas 49 029 300 000 to cover operating losses has been granted to the Hunosa, Figaredo, Hullasa and La Camocha undertakings in respect of total production of 4 292 000 tonnes to cover the difference for each tonne produced between projected average costs and projected average revenue. This aid will not exceed expected operating losses and hence complies with Article 3 (1) of the Decision.

The aid to cover operating losses is intended to facilitate the process of rationalization in the coal industry by staggering pit closures under a regional industrial conversion policy. It thereby helps solve the social and regional problems related to developments in the coal industry in accordance with the third indent of Article 2 (1) of the Decision.

Pursuant to Article 12 of Decision No 2064/86/ECSC coal undertakings are authorized to grant rebates on their list prices or production costs for deliveries of coking coal, coke and coal for injection into blast furnaces in the Community iron and steel industry under long-term contract. These rebates ought not cause the delivered prices of Community coke and coal to work out lower than those which would be charged for coal from non-member countries and coke manufactured from coal from non-member countries.

The aid for supplying coking coal, coke and coal for injection into blast furnaces in the Community iron and steel industry (Ptas 1 400 million) covers the difference between world market prices and production costs for an output of 200 000 tonnes. This aid is hence compatible with Article 4 of the Decision.

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

The aid for supplying coking coal, coke and coal for injection in blast furnaces in the Community iron and steel industry is intended to facilitate the process of rationalization in the coal industry by staggering pit closures under a regional industrial conversion policy. It thus helps solve the social and regional problems related to developments in the coal industry, in accordance with the third indent of Article 2 (1).

The investment aid of Ptas 605 million is proposed for investment projects in mines of different undertakings. The aid will cover 20 % of the total investment, which amounts to Ptas 2 087 million. The aid will be shared among the following coalfields: Central Asturiana, Bierzo-Villablino, Narcea, Léon-Este, Palencia, Aragón, Catalonia and the Balearic Islands. This aid satisfies the conditions laid down in Article 5 (1) and (2) for each coal undertaking.

This investment aid for 1988 should be regarded as serving the Community's coal policy in that it will help to improve the competitiveness of the coal industry, in accordance with the first indent of Article 2 (1).

The Spanish Government plans to grant aid to promote innovation in the coal industry in 1988. This aid, amounting to Ptas 350 million, will be divided amount the following coalfields: Central Asturiana, Bierzo-Villablino, Narcea, Léon-Este, Palencia, Aragón, Catalonia and the Balearic Islands.

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 2b of the Decision as 'other' measures. Such measures have to be assessed in accordance with Article 10 (2) of the Decision.

The Commission has made the examination provided for in Article 67 of the Treaty and has reached the conclusion that the aid to promote innovation does not confer on the Spanish coal industry any particular competitive advantage which is incompatable with the common market.

This measure will help improve the competitiveness of the coal industry, in accordance with the first indent of Article 2 (1) of the Decision.

A compensatory payment of Ptas 8 400 million for 1988 is to be given through OFICO (Oficina de Compensación de la Energía Eléctrica) to electricity producers under the new system of coal purchasing for use in power stations. This system is intended to bring supply into line, in a rational manner, with forecast demand and to increase the competitiveness of the coal industry.

This aid must be notified pursuant to Article 9 (2) and Annex 2 (b) of the Decision as 'other' measures. Such measures must be assessed in accordance with Article 10 (2) of the Decision.

The Commission has made the examination provided for in Article 67 of the Treaty and has reached the conclusion that the measure is compatible with Article 67 of the Treaty. This measure will also help to solve social problems, in accordance with the third indent of Article 2 (1) of the Decision.

II

On 31 July 1987 the Commission adopted Decision 87/454/ECSC approving aid from Spain to the coal industry during 1987 [1]. That Decision authorized the Spanish Government to grant the direct or indirect aid planned for 1987 to the coal industry provided it was submitted to the Commission for approval.

As stated in the Decision, the Spanish Government planned to grant aid to cover operating losses totalling Ptas 37 117,2 million pursuant to Decision No 2064/86/ECSC.

By letters of 7 January and 16 May 1988, the Spanish Government informed the Commission, pursuant to Article 2 (1) of Decision 87/454/ECSC, that the aid to cover operating losses laid down in the Decision would not be sufficient.

An extra Ptas 15 536 million is required for 1987 in addition to the amount of aid to cover operating losses authorized by the Commission, bringing the total amount of aid to cover operating losses in 1987 to Ptas 52 653,2 million.

The amount of aid has had to be increased because operating losses in 1987 were much higher than expected in the Hunosa and Figaredo undertakings. The aid to cover operating losses par tonne of production would hence be Ptas 17 074 and Ptas 15 262, respectively. The additional aid should cover the difference per tonne produced between average costs and average revenue. This aid does not exceed operating losses and hence satisfies the conditions defined in Article 3 (1) of Decision No 2064/86/ECSC.

[1] OJ No L 241, 25. 8. 1987, p. 16.

Aid to cover operating losses is intended to stagger pit closures and will thus help to solve the social and regional problems related to developments in the coal industry pursuant to the third indent of Article 2 (1) of Decision No 2064/86/ECSC.

III

The following observations should be made on the compatibility of the proposed aid to current production for 1988 and the additional aid for 1987 with the proper functioning of the common market:

— no supply difficulties were observed for 1987 and none are expected in 1988 in view of the high level of coal and coke stocks,

— Spanish coal prices did not in 1987 and should not in 1988 lead to indirect aid to industrial coal users.

Therefore the aid to be granted to current production in 1988 and the additional aid for 1987 are compatible with the proper functioning of the common market.

IV

Pursuant to Article 11 (2) of Decision No 2064/86/ECSC, the Commission must ensure that the direct aid to current production which it approves it used exclusively for the purposes set out in Articles 3 to 6 thereof. The Commission must therefore be informed of the amounts of payments and the manner in which they are apportioned,

HAS ADOPTED THIS DECISION:

*Article 1*

Spain is hereby authorized to grand aid totalling Ptas 51 384 300 000 to the Spanish coal industry with effect from 1 January 1988 for the 1988 calendar year.

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

1. an amount not exceeding Ptas 49 029 300 000 in aid to cover operating losses;
2. an amount not exceeding Ptas 1 400 million in aid for the sale of deliveries of coal and coke to the Community iron and steel industry;
3. an amount not exceeding Ptas 605 million in investment aid;
4. an amount not exceeding Ptas 350 million in aid to promote innovation.

*Article 2*

The Commission raises no objection to the compensatory payment of Ptas 8 400 million to be paid through OFICO.

*Article 3*

Spain is hereby authorized to grant additional aid totalling Ptas 15 536 million to cover operating losses for 1987.

*Article 4*

The Spanish Government shall inform the Commission by 30 June 1989 of the actual amounts of aid paid in 1988.

*Article 5*

This Decision is addressed to the Kingdom of Spain.

Done at Brussels, 8 September 1988.

*For the Commission*

Nicolas MOSAR

*Member of the Commission*