II

(Acts whose publication is not obligatory)

COMMISSION

COMMISSION DECISION

of 25 April 2001

on the State aid which Austria is planning to implement in favour of Voest Alpine Stahl Linz GmbH

(notified under document number C(2001) 1130)

(Only the German text is authentic)

(Text with EEA relevance)

(2001/669/ECSC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community, and in particular Article 4(c) thereof,

Having regard to the Agreement on the European Economic Area, and in particular Article 62(1)(a) thereof read in conjunction with Protocol 14,

Having regard to Commission Decision No 2496/96/ECSC of 18 December 1996 establishing Community rules for State aid to the steel industry [1],

Having called on interested parties to submit their comments pursuant to the provisions cited above [2],

Whereas:

I. PROCEDURE

(1) By letter dated 15 April 1999 Austria notified the Commission of aid for environmental protection to Voest Alpine Stahl Linz GmbH concerning an extension of its wastewater treatment installations.

(2) By letter dated 17 May 2000 the Commission informed Austria that it had decided to initiate the procedure laid down in Article 6(5) of Decision No 2496/96/ECSC of 18 December 1996 establishing Community rules for State aid to the steel industry (hereinafter referred to as the 'steel aid code'), in respect of the aid.

(3) The Commission decision to initiate the procedure was published in the *Official Journal of the European Communities* [3].The Commission called on interested parties to submit their comments.

(4) The Commission has received no comments from interested parties. Austria presented its comments by letter dated 20 June 2000 and a change to its initial notification, reducing the aid to 15 % of the eligible investment costs, by letter dated 28 February 2001.

II. DETAILED DESCRIPTION OF THE AID

(5) Voest Alpine Stahl Linz GmbH is an integrated steel company producing crude steel and hot- rolled sheets. It operates a hot rolling mill with an annual production of 3 to 3,7 million tonnes. The rolling mill comprises a reheating furnace and a strip-cooling installation. The entire rolling process involves the use of water, which the company gets from the Danube. This water is contaminated with solids and machine oil before it is discharged back into the river.

(6) On 27 November 1998 new standards for pollution in wastewater by steel companies entered into force in Austria. Existing installations such as those of Voest Alpine Stahl Linz GmbH qualified for a transition period of seven years, i.e. until 27 November 2005. The company decided, however, to bring its installations into line with the new standards before the deadline. In 1997 it applied to the Austrian authorities for aid with a view to a significant extension of its water purification system in 1997 and 1998.

[1] OJ L 338, 28.12.1996, p. 42.
[2] OJ C 190, 8.7.2000, p. 9.
[3] See footnote 2.

(7) In its decision to open the procedure, the Commission expressed doubts as to whether the project was eligible for environmental aid in view of the age of the former installations, which dated from 1958. It was not clear at the time whether the investments had been carried out purely in order to meet higher environmental standards or whether they would have been necessary in any case because the old equipment had become obsolete. This situation was clarified in the context of the procedure.

(8) The existing water treatment was rather rudimentary and consisted mainly of three sedimentation basins, which filtered the water before it was dumped into the Danube. These installations remain in place but significant additions have been made to them. Five separators have been installed which receive the water from the existing sedimentation basins and in which water is separated from oil and solids. The water then proceeds to newly installed filters, from where part of it is reused for cooling purposes in the rolling-mill process, and the other part is discharged, undergoing further treatment via a sand and gravel bed before reaching the Danube. Solids and oil are disposed of by incineration in the company's blast furnace.

(9) The Austrian authorities propose to grant aid of ATS 22,4 million (EUR 1,6 million), equivalent to 15 % of the project's eligible costs, which amount to ATS 149,1 million (EUR 10,9 million) in total.

III. **COMMENTS FROM AUSTRIA**

(10) In its comments, Austria explained the nature of the investments and what they represented in comparison with the initial water treatment facilities. Those facilities could have remained unchanged if it had not been deemed necessary to limit wastewater pollutants. Indeed, the most important component of the original facilities, namely the three sedimentation basins, remains in place and has been integrated into the new water purification installations. Austria has also amended its notification concerning the level of aid and reduced it to 15 % of investment costs as opposed to the 20 % originally indicated.

IV. **ASSESSMENT OF THE AID**

(11) Voest Alpine Stahl Linz GmbH is an undertaking within the meaning of Article 80 of the ECSC Treaty and therefore it is subject to the rules of the steel aid code. The measure notified by Austria constitutes aid within the meaning of Article 1 thereof. Article 3 provides for the possibility of environmental aid to be deemed compatible with the common market in so far as it complies with the Community guidelines on State aid for environmental protection [4] (hereinafter referred to as the 'Guidelines') and with the criteria for their application to the ECSC steel industry outlined in the annex to the steel aid code.

(12) The guidelines provide as a general rule that the eligible costs must be strictly confined to the additional investments necessary if environmental targets are to be met [5]. Aid for investments to comply with new mandatory standards which involve adapting plant and equipment to meet new environmental standards can be authorised up to the level of 15 % gross of the eligible costs. Aid may be granted only in respect of installations that have been in operation for at least two years when the new standards enter into force [6].

(13) The annex to the steel aid code, while reaffirming the above rules, also requires the reason for the investments to be assessed. Essentially, investments carried out on economic grounds or as a result of the age of the existing plant or equipment, are not eligible for aid. The existing plant must have significant useful life left (at least 25 %) for the new investments to be eligible.

(14) New environmental standards for wastewater from steel companies in Austria were published on 28 November 1997 and entered into force on 27 November 1998. However, existing installations such as those of Voest Alpine Stahl Linz GmbH qualified for a transition period of seven years, ending on 27 November 2005.

(15) In order to comply with the new standards, Voest Alpine Stahl Linz GmbH carried out the notified investments, which entail important benefits for the environment: discharge of solids in open water have been reduced by 80 % and discharge of oil by 44 %. In its initial assessment, the Commission raised doubts about the eligibility of the investments for environmental aid under the steel aid code on the basis that the pre-existing installations dated from 1958. It questioned whether the new investments would have been necessary in any event and whether the remaining useful life of the pre-existing installations amounted to more than 25 % at the time of the investments.

(16) On the basis of the information provided by the Austrian authorities in connection with the procedure, the doubts raised by the Commission have been cleared up. Although the former installations dated from 1958, they would not have had to be replaced for production or environmental reasons if the wastewater pollution standards had not been changed. They could have continued to operate without any time limit. The investments had to be carried out purely because the old

[4] OJ C 72, 10.3.1994, p. 3.
[5] See point 3.2.1 of the guidelines.
[6] See point 3.2.3.A of the guidelines.

system was not able to meet the new environmental protection standards on wastewater. The main elements of the old system, the three basins, have been integrated into the new system. The Commission therefore concludes that the investments were carried out purely for environmental reasons and with a view to meeting the new standards.

V. **CONCLUSION**

(17) hi the light of the above considerations, the Commission concludes that its initial doubts have been cleared up. The subsidy of 15 % of the investment cost, as proposed by the Austrian authorities, meets the criteria for environmental aid to help firms comply with new environmental standards as laid down in the guidelines and in the annex to the steel aid code,

HAS ADOPTED THIS DECISION:

Article 1

The aid which Austria is planning to implement in favour of Voest Alpine Stahl Linz GmbH amounting to ATS 22,4 million (EUR 1,6 million), and representing 15 % of the total eligible investment cost of ATS 149,1 million (EUR 10,9 million), is compatible with the common market.

Article 2

This Decision is addressed to the Republic of Austria.

Done at Brussels, 25 April 2001.

For the Commission

Mario MONTI

Member of the Commission