State aid: Commission approves €36 million Polish investment aid to LG Chem’s electric vehicles batteries plant

The €36 million investment aid granted by Poland will support LG Chem’s €325 million investment in a new vertically integrated manufacturing plant for the production of lithium-ion (Li-ion) batteries in the Dolnośląskie region of Poland. Li-ion batteries are used in electric vehicles and the new plant is expected to supply batteries for more than 80 000 electric vehicles per year in the European Economic Area (EEA).

The project is expected to create more than 700 direct jobs. The manufacturing plant is located in the Dolnośląskie region, an area eligible for regional aid (Art. 107(3)(a) of the Treaty on the functioning of the European Union).

The Commission assessed the aid measure under the Guidelines on Regional State Aid for 2014-2020, which enable Member States to support economic development and employment in the EU’s less developed regions and to foster regional cohesion in the Single Market.

The Commission found that:

- without the public funding, the project would not have been carried out in Poland or any other EU country;
- the aid is limited to the minimum necessary to trigger the investment in Poland rather than outside the EEA;
- the investment aid will contribute to job creation as well as to the economic development and to the competitiveness of a disadvantaged region.

The Commission concluded that the positive effects of the project on regional development clearly outweigh any distortion of competition brought about by the State aid.

Background

An aid measure must meet the following conditions under the Guidelines on Regional State Aid for 2014-2020:

- The aid must have a real “incentive effect”, in other words, it must effectively encourage the beneficiary to invest in a specific region;
- The aid must be kept to the minimum necessary to attract the investment to the disadvantaged region;
- The aid must not have undue negative effects, such as the creation of excess capacity in a declining market;

- The aid must not exceed the regional aid ceiling applicable to the region in question;
- The aid must not directly cause the relocation of existing or closed down activities from elsewhere in the EU to the aided establishment; and
- The aid must not divert investment away from another region in the EU which has the same, or lower, level of economic development than the region where the aided investment takes place.

To support the development of a competitive manufacturing value chain in Europe with sustainable battery cells at its core, the Commission launched the European Battery Alliance in October 2017. This initiative seeks to capitalise on the job, growth and investment potential of batteries. One year on from the launch of the European Battery Alliance, there is already tangible progress in the creation of a European battery production industry.

The non-confidential version of the decision will be made available under the case number SA.47662 in the State aid register on the Commission’s competition website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.