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**Subject: State Aid SA.56844 (2020/N) – Slovakia –
Aid to cover the exceptional costs of Hornonitrianske bane Prievidza
(HBP)**

Sir,

1. PROCEDURE

- (1) On 15 May 2020, following the pre-notification contacts, the Slovak authorities, in accordance with Article 108 (3) of the Treaty on the Functioning of the European Union ("TFEU"), notified the individual aid to cover exceptional costs for the closure of Handlová and Nováky mining units of Hornonitrianske Bane Prievidza, a. s. ("HBP").
- (2) Slovakia waived its right under Article 342 of the TFEU in conjunction with Article 3 of EC Regulation No 1/1958¹ to have the decision adopted and notified in Slovakian and agreed that the decision be adopted and notified in English.

¹ Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p.385.

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2. DESCRIPTION OF THE MEASURE

2.1. Background

- (3) The Commission approved operating aid to the Nováky lignite-fired unit of Slovenské Elektrárne a.s. in its decision SA.52687 (2018/N). In that context, the Slovakian government adopted Government Resolution No 580 of 12 December 2018 (“the Resolution”) on the draft transformation plan of the Upper Nitra Region. Point B.3 of the Resolution sets out a timescale for the orderly closure and shutdown of HBP’s Handlová and Nováky extraction fields, together with the technical mining-out of the remaining coal reserves followed by closure, clean-up and rehabilitation. To this end, Slovakia added that the termination of coal mining, respectively production from coal mining fields of mine Handlová and mine Nováky is planned at latest till 31 December 2023.² Slovakia argues that ending coal mining in the HBP extraction areas calls for the closure of the mine. In its decision SA.55038 (2019//N),³ the Commission approved aid to cover exceptional costs in the period 2019-27 related to the closure of coal mining units Handlová and Nováky of Hornonitrianske Bane Prievidza, a. s. (“HBP”) in Slovakia.
- (4) In this decision, following the Resolution on the draft transformation plan of the Upper Nitra Region, Slovakia presented the termination schedule of coal extraction in the concerned mining units.
- (5) Slovakia reiterated the commitment to terminate coal mining, and thus production from coal mining fields as stated in the decision SA.55038 (2019//N).⁴ Therefore, the mining fields concerned will be or were decommissioned as follows:
- East shaft Handlová's: July 2019 - June 2021;
 - 12th mining field of Mine Handlová: January 2021 - June 2022;
 - 7th mining field of the Nováky: January 2020 - December 2022;
 - 11th mining field of the Nováky: January 2022 - February 2024;
 - Central factory Handlová: January 2022 - December 2024.

2.2. Additional aid to cover exceptional costs

- (6) Slovakia also explained that the end of mining would result in redundancies. Slovakia explained that the phasing out of coal mining and production in the Horná Nitra region would lead to an increase in the unemployment rate in Prievidza from 4.5 % to 8 to 10 %. The total number of employees of HBP companies ranges from 3000 to 4000 depending on whether it includes subsidiaries whose object is lignite.

² Commission Decision C (2019) 3361 of 10.5.2019, case SA.52687 (2018/N) – Slovakia – Electricity production from indigenous coal in Slovakia, C(2019) 3361 final.

³ SA.55038 (2019//N) Slovakia – Aid to cover the exceptional costs of Hornonitrianske bane Prievidza (HBP) related to the closure of its mining operations.

⁴ SA. 55038 (2019//N) Slovakia – Aid to cover the exceptional costs of Hornonitrianske bane Prievidza (HBP) related to the closure of its mining operations

- (7) In this context, Slovakia intends to grant additional aid totalling approximately EUR 9.6 million to cover exceptional costs arising from the closure of the said mining units in accordance with Article 4 of the Council Decision 2010/787/EU of 10 December 2010 on State aid to facilitate the closure of uncompetitive coal mines ("the Council Decision").⁵
- (8) Slovakia envisages granting aid to HBP for covering a new category of costs identified in the Annex to the Council Decision. The aid will be used to cover HBP's costs arising from the re-adaptation of workers to help them gain new employment outside the coal industry, in particular the cost of vocational training. The distribution of estimated costs by individual production fields (coal production units) is as shown in the table below. As the costs depend on the number of redundancies in each year, the following table shows an indicative breakdown. These are mainly service surface employees who will participate in retraining.

Mining field	Definition of costs referred to in Article 4 of the Council Decision	2020	2021	2022	2023	TOTAL
East shaft Handlová	Article 1(d) of the Annex	473 565,60	268 070,51			741 636,11
7. mining field Nováky	Article 1(d) of the Annex)	578 802,41	1 638 208,69	1 065 286,93		3 282 298,03
12. mining field Handlová	Article 1(d) of the Annex		1 072 282,05	328 576,21	129 530,49	1 530 388,75
11. mining field Nováky	Article 1(d) of the Annex			175 651,34	1 809 513,38	1 985 164,72
Central factory Handlová	Article 1(d) of the Annex			1 325 467,87	765 286,44	2 090 754,31
TOTAL Handlová + Nováky	Article 1(d) of the Annex	1 052 368,01	2 978 561,25	2 894 982,35	2 704 330,31	9 630 241,92

Source: Slovak authorities

- (9) Slovakia explained that aid would be granted to support the transfer of employees from the lignite mining sector to new employment in other sectors. Therefore, employees from HBP will be retrained and re-skilled for finding new employment.
- (10) The aid measure aims at upgrading their qualifications, retraining, the development of personal competences and soft skills. This will increase their employability and thus have a positive impact on employment in the region. Slovakia explained that staff would not be trained in connection to their

⁵ OJ L 336, 21.12.2010, p. 24–29.

employment at HBP in relation to the mining sector. The employees will take part in that program, while they are still employed at HBP, so the risk of a time in between employments will be minimized. The employees will not carry out any economic activity for HBP during the time of taking part in the program and will not work for HBP after the training period. The trainings will not be provided by HBP. The employees will select training activities by themselves financed from public sources.

- (11) The aid will be granted to HBP to cover the expenditure corresponding to the average salary of the specific employee (the gross salary plus statutory duties imposed by the employer: leave, reimbursement of salary during a doctor's visit, accompanied by a family member for treatment, compensation for incapacity for work during the first 10 days) during the period of the training and for a maximum length of 6 months. HBP will provide full administrative and financial activities related to the payment of salaries in the context of the training program.
- (12) The Slovak authorities confirm that the costs are not related to current production and the notified aid measure covers exclusively eligible costs within the meaning of Article 4 of the Council Decision.
- (13) Slovakia states that HBP will keep separate accounts for each coal production unit, where it will keep separate accounts for the aid received and the costs associated with the closure of the coal production in accordance with Article 6 of the Council Decision and Article 3a of Commission Directive 80/723/EEC⁶. Other economic activities, including the normal production operation of coal production units until the end of mining, will be accounted for as before.
- (14) Slovakia confirms that the costs covered by the aid will not be the result of non-compliance with environmental rules.
- (15) The Slovak authorities confirmed that the aid notified will not be cumulated with other aid covering the same eligible costs.

3. ASSESSMENT OF THE MEASURE

3.1. State aid in the sense of Article 107(1) TFEU

- (16) In order for a measure to constitute State aid within the meaning of Article 107 (1) TFEU it has to fulfil four conditions. Firstly, the aid is granted by a Member State or through State resources. Secondly, the measure confers a selective advantage to certain undertakings or the production of certain goods. Thirdly, the measure must be liable to affect trade between Member States. Fourthly, the measure must distort or threaten to distort competition in the internal market.
- (17) The Commission concluded in its decision of 19 November 2014 in case SA.39096 (2014/N)⁷ related to the closure of another mining unit (Cigel') of the

⁶ Commission Directive of 25 June 1980 on the transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings (80/723/EEC).

⁷ Commission Decision C (2014) 8887 of 19.11.2014, case SA.39096 (2014/N) – Slovakia – Aid to cover exceptional costs of mining field Cigel', property of Hornonitrianske Bane Prievidza, a. s., JOCE C/219/2015, p.3.

beneficiary HBP that the measure involved State aid within the meaning of Article 107 (1) TFEU. Similarly to that decision, the Commission finds in this case that the notified aid measure favours a specific economic undertaking, HBP, and allows this specific beneficiary to be relieved, by means of State resources transferred directly from the State budget, of a part of the economic and social costs, which it would normally have to bear itself. Consequently, the financial aid from the State may strengthen the position of the beneficiary in relation to its competitors in the EU and therefore has potentially distorting effects on competition. Coal is widely traded between Member States and the support to a mining unit that is planned to produce coal until 2023 may therefore affect trade between Member States.

- (18) For the reasons set out above, the Commission concludes that the notified measure in favour of HBP constitutes State aid within the meaning of Article 107 (1) TFEU.

3.2. Lawfulness of the aid

- (19) By notifying the aid measure before its implementation, the Slovak authorities have respected the standstill obligation under Article 108 (3) of the TFEU.

3.3. Compatibility of the aid

- (20) The Commission has assessed the compatibility of the notified aid on the basis of the Council Decision.
- (21) The notified aid falls within the scope of the Council Decision, as HBP carries out coal production activities in line with Article 2 (2) of the Council Decision. The coal extracted by HBP is used for the production of electricity, the combined production of heat and electricity, the production of coke and the fuelling of blast furnaces in the steel industry, and this use takes place in the Union.
- (22) The Slovak authorities have confirmed that the termination schedule stated in the Decision SA.55038 (2019/N)⁸ for the concerned mining units is still valid. The closure costs in line with Article 2 (2) of the Council Decision to be supported by Slovakia are exclusively meant to enable HBP to cover the costs arising from the closure of coal mining units Handlová and Nováky in line with Article 4 of the Council Decision.
- (23) These costs are not related to current production within the meaning of Article 3 (1) of the Council Decision.
- (24) The aid cannot be combined with any other State aid within the meaning of Article 107 (1) TFEU or with other forms of European Union financing for the same eligible costs (Article 5 of the Council Decision). In addition, Slovakia confirmed that the aid will not be used to cover production costs of HBP, thereby respecting the rules on the separation of accounts as set out in Article 6 of the Council Decision. It follows that the notified aid meets the conditions laid down in the Council Decision as to cumulation and separation of accounts of the beneficiary.

⁸ Commission Decision C (2020) 84/01 of 28.11.2019, case SA.55038 (2019/N) – Slovakia – Hornonitrianske bane Prievidza, a.s., v skratke HBP, a.s., OJ C 84, 13.3.2020, p. 1–12.

- (25) The Slovak authorities confirm that in line with Article 4 (2) of the Council Decision, the costs covered by the aid do not result from non-compliance with environmental legislation.
- (26) The Commission notes that the aid will cover HBP's costs related to the re-adaptation of workers to help them gain new employment outside the coal industry, in particular the cost of vocational training. The categories of costs to be covered fall within the eligible categories defined in the Annex to the Council Decision, to which Article 4 refers (point 1d of the Annex to the Council Decision: The cost covered by the undertakings for the readaptation of workers in order to help them find new jobs outside the coal industry, especially training costs).
- (27) It follows from the above that the notified aid remains compliant with the relevant conditions laid down in the Council Decision.

4. CONCLUSION

- (28) The Commission has accordingly decided to consider the aid to be compatible with the internal market pursuant to Council Decision 2010/787/EU of 10 December 2010 on State aid to facilitate the closure of uncompetitive coal mines and has therefore decided not to raise objections to the notified measure.
- (29) The Commission reminds the Slovak authorities that, in accordance with the Council Decision, they shall notify to the Commission:
- any amendments related to the final closure;
 - all the aid, which they intend to grant to the coal industry under the Council Decision during a coal year.
- (30) The Commission also reminds the Slovak authorities that, in accordance with Article 7 (5) of the Council Decision, they shall inform the Commission of the amount and of the calculation of the aid actually paid during a coal year no later than six months after the end of that year. Where any corrections are made to the amounts originally paid during a given coal year, the Slovak authorities shall inform the Commission before the end of the following coal year.

Yours faithfully
For the Commission

Margrethe Vestager
Executive Vice-President