

**IRELAND**

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## SECTION A

**1. Irish Steel Ltd.** (privatized in May 1996 and now known as Irish Ispat Ltd.)

1. Description/identification of subsidy

State Aid, approved by the EU, for Irish Steel Ltd., as part of the privatization process.

2. Period covered by the notification

The sale of Irish Steel Ltd. to Ispat Mexicana S.A. de C.V. was completed on 30 May 1996, at which time the appropriate State Aid was paid to the company by the Irish Government.

3. Policy objective and/or purpose of subsidy

On the basis of a 1994 Restructuring Plan, the Government decided to seek a partner or new owner for the State owned Irish Steel Ltd. Following negotiations with several interested parties, the Irish Government signed an Agreement with Ispat Mexicana in September 1995 for the sale of all the Share Capital of Irish Steel Ltd. The privatization process was completed on 30 May 1996 with the signature of a Supplemental Agreement. The promise of State Aid was essential in securing agreement with Ispat Mexicana on the sale of Irish Steel Ltd. to them.

4. Background and authority for the subsidy (including legislation)

The State Aid agreed between the Irish Government and Ispat Mexicana was subject to EU approval under Article 95 of the ECSC Treaty.

Following consideration by the European Commission, the State Aid agreed between the Irish Government and Ispat Mexicana as part of the privatization package was recommended by the Commission to EU Council for approval.

Unanimous Council approval was received on 20 December 1995, subject to monitoring requirements and restrictions on production/sales for a 5 year period (Commission Decision 96/315/ECSC of 7 February 1996).

Irish legislation was also required to effect the sale of the company to Ispat Mexicana and for the provision of the appropriate State Aid by the Irish Government (Irish Steel Ltd. Act, 1996), (S.I. No. 153 of 1996).

5. Form of the subsidy

State Aid totalling IEP £38.298 million was approved by the EU Commission/EU Council in respect of Irish Steel Ltd. as follows:

- |     |  |            |
|-----|--|------------|
| (a) | Cash contribution to deal with a Balance Sheet deficit           | £2,831,000 |
| (b) | Cash contribution to cover a deficit on the Staff Pension Fund   | £628,000   |
| (c) | Cash contribution to cover specific remedial environmental works | £2,360,000 |

(d)	Cash contribution towards interest charges on existing debt	£4,617,000
(e)	Cash contribution for indemnities in respect of possible residual taxation and other costs/claims arising from the past	£2,445,000
(f)	Cash contribution to compensate ISPAT for restrictions attached to State Aid approval by the EU	£7,200,000
(g)	Write-off of 1985 Government Loan	£17,000,000
(h)	Aid element contained in State guarantees on two old loans	£1,217,000
		<hr/>
		£38,298,000

6. To whom and how the subsidy is provided

The State Aid approved by the Commission/Council involved the payment of cash contributions (a) to (f) above by the Irish Government and these contributions were paid to Irish Steel Ltd./Ispat Mexicana on 30 May 1996 on the completion of the sale of the Share Capital of Irish Steel Ltd. to Ispat Mexicana.

7. Subsidy per unit

Not applicable.

8. Duration of subsidy

Once off payment on 30 May 1996 on the occasion of the finalization of the sale of the company to Ispat Mexicana.

9. Statistical data permitting an assessment of the trade effects of the subsidy

The provision of State Aid is subject to detailed consideration by the European Commission. The Commission indicated that it was essential to ensure that the aid approved was limited to what was absolutely necessary and it was therefore important that there should be adequate counterpart measures .... so that the aid does not adversely affect trading conditions within the Community to an extent contrary to the common interest.

As a result, conditions were attached to the subsequent approval by the EU Council relating to, *inter alia*, production/sales restrictions for a 5 year period. The Commission indicated that close attention would be paid to:

- the granting of aid under the restructuring plan and the source, terms and conditions of any further financing over and above that provided for in the plan;
- the limitation of capacity;
- production and sales and the effect on the market;
- the investments carried out;
- financial performance.

The Commission will submit six-monthly reports to the Council to keep it informed of developments.

To date, the Commission has produced three monitoring reports on Irish Steel/Irish Ispat, which indicate that the State Aid was paid in accordance with the EU Commission/Council Decision and that the other conditions attached to the payment of the Aid are being adhered to.

## **2.     Aughinish Alumina Relief**

### Title of subsidy

Aughinish Alumina relief

### Policy objective of the subsidy

To maintain competitiveness.

### Background and authority for the subsidy

The relief was introduced under S.I. no. 126 of 1983. Council Decision 92/510/EEC authorized Ireland to continue to grant excise duty relief in respect of oil used in the production of alumina in the Shannon region (Aughinish). This relief was granted in accordance with provisions of Article 8.4 of Directive 92/81/EEC which sets out the structure of excise duty for oil products in the Single Market. Under the terms of this Directive it will be subject to review by the European Commission before the end of 1996.

### Form of the subsidy

Excise duty relief.

### How the subsidy is provided (destination)

The subsidy is provided to Aughinish Alumina Ltd. in the form of relief from payment of duty on Heavy Fuel Oil used to produce aluminium.

### Total amount of subsidy

The total amount was approximately IEP £2m.

### Duration of the subsidy

The relief in operation since 1983 is not time limited but will be subject to review as indicated above.

### Assessment of the trade effects of subsidy

None available.

### **3. Sea Fishing**

Title of subsidy

Sea fishing - Repayment of hydrocarbon oil and LPG excise duty in the case of sea fishing.

Policy objective of the subsidy

To assist the sea fishing industry.

Background and authority for the subsidy

Imposition of Duties (No. 255) (Hydrocarbon oils) Order, 1981.

Form of the subsidy

Repayment of excise duty.

How the subsidy is provided (destination)

The subsidy is provided to sea fishermen.

Subsidy per unit

Total value of the subsidy was IEP £1.79 million.

Duration of the subsidy

The relief is in operation since 1981 and is not time limited.

Assessment of the trade effects of subsidy

None available.

### **4. Glasshouse/Mushroom Operators**

Title of subsidy

Reliefs for glasshouse/mushroom operators.

Policy objective of the subsidy

To assist the commercial glasshouse operators and mushroom growers.

Background and authority for the subsidy

The relief was originally introduced in the Imposition of Duties (No. 232) (Hydrocarbon Oils) Order, 1977 which came into effect on 1 September 1977 provided for the repayment of excise duty

at the then rate of 2p. per gallon. In the 1980 Finance Act, when the duty was increased to 7p. per gallon, it was decided that a rate of 2p. should apply to glasshouse operators.

Form of the subsidy

Reduced rate for purchase of hydrocarbon oil.

How the subsidy is provided (destination)

Commercial glasshouse operators and mushroom growers.

Total amount of subsidy

Total value was IEP £0.31m.

Duration of the subsidy

The relief is in operation in various forms since 1977 and is not time limited.

Assessment of the trade effects of subsidy

None available.

## **5. Biofuel Pilot Projects**

Title of subsidy

Relief for Biofuel Pilot Projects

Policy objective of the subsidy

Section 116 of Finance Act 1995, provides for the Minister of Finance in consultation with the Minister for Transport, Energy and Communications to make provision for relief from excise duty in respect of biofuel projects which are:

- designed to manufacture or produce biofuel; or
- to test the technical viability of biofuel for use as a motor fuel.

Background and authority for the subsidy

The relief was introduced in section 116 of the Finance Act, 1995.

Form of the subsidy

Remission of Excise Duty on biofuels used in pilot projects.

How the subsidy is provided (destination)

Any organization which satisfies the Minister for Finance and the Minister for Transport, Energy and Communications that their project fills the above criteria. Cork County Council is the only organization in receipt of the relief.

Total value of subsidy

Total value is IEP £0.020m.

Duration of the subsidy

Relief in respect of pilot projects will be available until 1998.

Assessment of the trade effects of subsidy

None available.

SECTION B

**1. Tomato Marketing Improvement Assistance Programme**

1. 1996
2. To improve the quality of Irish tomatoes
3. Scheme operated by An Bord Glas (the Government agency with responsibility for developing the horticulture industry). No specific legislation.
4. Grant
5. Provided to tomato producers at a rate of 50% of the cost of qualifying expenditure on quality and hygiene control systems
6. 50% of eligible costs. Total budget allocation for 1997 is IEP £ 50,000
7. No duration limit set.
8. N/A.

**2. Group Marketing Scheme**

1. 1996.
2. To enable small and medium-sized businesses which do not have sufficient resources available to them to promote their produce on the wider market.
3. Scheme run by An Bord Bia (Irish Food Board). No specific legislation.
4. Grant.
5. Provided to exporting companies. Subsidy to cover costs of the company - not related to number of units.
6. 50% of eligible costs up to a maximum payment of IEP £60,000.
7. On-going scheme - no duration limit. Each company can receive aid for a maximum of two years. Commenced 1995.
8. N/A.



**3. Scheme of Premiums for Maintaining Pure Bred Kerry Herds of Cattle**

1. 1996.
2. To maintain pure bred herds of cattle in Ireland for the purposes of environmental and heritage conservation.
3. National scheme run by Department of Agriculture, Food and Forestry. No specific legislation.
4. Grant
5. Provided to breeders of Pure Bred Kerry Cattle. Fixed amount per unit.
6. IEP £ 60.00 per calf born.
7. On-going scheme - no duration limit. Commenced 1983.
8. N/A

**4. Grant-in-aid to Federation of Irish Beekeepers**

1. 1996
2. To assist the Federation of Irish Beekeepers who in turn provide advice for their members through the publication of a journal, organisation of summer courses, etc.
3. Grant made by the Department of Agriculture, Food and Forestry. No specific legislation.
4. Grant.
5. Provided to Federation of Irish Beekeepers. Fixed amount - not related to number of units.
6. Total amount of subsidy: IEP £3,000.
7. On-going scheme - no duration limit. Commenced 1986.
8. N/A.