State aid: Commission approves Hungary’s €131 million investment aid to MOL petrochemical plant

The investment aid granted by Hungary will support MOL’s plans to invest in total €874 million to introduce the production of polyols and propylene glycols in its existing plant in Tiszaújváros. Polyol is the main component of polyurethanes, which are used for example for the production of foams for car seats, dashboards, coatings, adhesives and sealants. Propylene glycol is primarily used in the production of polymers, but is also used in food processing, personal care products and pharmaceuticals.

The project is expected to create new direct jobs in Tiszaújváros located in the Northern Hungary 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 Tiszaújváros. The Commission also found that the aid was limited to the minimum necessary, as it merely compensated the company for costs incurred by carrying out the project in Tiszaújváros rather than an alternative location. The Commission therefore concluded that the positive effects of the project on regional development clearly outweigh any distortion of competition brought about by the State aid.

Background

The aid is granted in the framework of pre-existing aid schemes, but had to be notified to the Commission for individual assessment and clearance because of the aid amount involved.

When approving an aid measure under the Guidelines on Regional State Aid for 2014-2020, the Commission has to be convinced that, among other things, the aid must:

- have a real “incentive effect”, in other words it must effectively encourage the beneficiary to invest in a specific disadvantaged region;
- be kept to the minimum necessary to attract the investment to the disadvantaged region;
- not have undue negative effects, such as creation of excess capacity by the aided investment in a declining market;
- not exceed the regional aid ceiling applicable to the region in question;
- not directly cause the relocation of existing or closed down activities

from elsewhere in the EU to the aided establishment; and
- 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.

The non-confidential version of the decision will be made available under the case number SA.48382 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.