Mobilisation of the European Globalisation Adjustment Fund: redundancies in the manufacture of petroleum and chemicals products in Estonia

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Estonia in respect of redundancies in the manufacture of petroleum and chemicals products.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 provides that the EGF is not to exceed a maximum annual amount of **EUR 150 million** (2011 prices).

The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in Regulation (EU) No 1309/2013 of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006.

Against this backdrop, the Commission examined the application to mobilise the EGF to assist Estonia and expressed its position as follows:

Estonia: EGF/2016/003 EE/petroleum and chemicals: on 11 May 2016, Estonia submitted an application EGF/2016/003 EE/petroleum and chemicals for a financial contribution from the EGF, following redundancies in the economic sectors classified under the NACE Revision 2 Division 19 (Manufacture of coke and refined petroleum products) and Division 20 (Manufacture of chemicals and chemical products) in Estonia.

Estonia submitted application EGF/2016/003 EE/petroleum and chemicals within **12 weeks** of the date on which the intervention criteria set out in Article 4 of the EGF Regulation were met. The deadline expires on 28 September 2016.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Estonia argues that the country is a small open economy with high reliance on exports of goods and services (nearly 80 % of national GDP in 2015 compared to 43.5 % in EU28). The Estonian economy highly suffered from the recent global oil market turbulences and a general decrease in Europe's international trade position. The county of Ida-Virumaa, in the north-east of Estonia, has been hit particularly hard, not only due to its geopolitically remote position at the Russian border, but especially because of a high concentration of industries dependent on oil and gas prices in this area.

Regarding the manufacturing of chemicals and chemical products sector, the production of mineral fertilizers is highly energy intensive (gas prices make up to 80 % of total production costs). Due to the high increase of natural gas prices, low-cost gas regions outside Europe have a competitive advantage and allow producing fertilizers at far lower costs than in Europe. The EU share of world chemicals production dropped from 30.9 % in 2004 to 17 % in 2014. The EU gradually lost its top position in world chemicals sales to China.

In July 2015, Nitrofert, a company producing synthetic ammonia and urea, shut down its production plant. Eesti Energia, the leading energy company in the Baltic States and the largest company in the world working with oil shale, decided to reduce shale oil production due to dramatically fallen profits caused by lower oil prices. The third enterprise subject to the application is Viru Keemia Grupp (VKG), another shale oil producer in Ida-Virumaa, facing similar problems caused by the drop in oil prices.

Besides the loss of many jobs, the region is also affected by significant demographic problems and sparce population due to the remoteness of the region, which reduces the chances of finding suitable jobs.

Basis of the Estonian application: Estonia submitted the application under the intervention criteria of Article 4(2) derogating from the criteria of Article 4(1)(b) of the EGF Regulation, which requires at least 500 workers being made redundant over a reference period of nine months in enterprises operating in the same economic sector defined at NACE Revision 2 Division and located in one region or two contiguous regions defined at NUTS 2 level in a Member State.

The reference period runs from 1 August 2015 to 1 May 2016.

The total number of eligible beneficiaries is **1550**.

With regard to the Estonian request, the Commission proposes to mobilise the EGF for the amount of **EUR 1 131 358**.

BUDGETARY IMPLICATIONS: having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 1 131 358, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.

The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the requested amount.

At the same time as it adopts this proposal for a decision to mobilise the EGF, the Commission will adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date at which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.