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**Subject: State Aid SA.112984 (2024/N) – France**  
**TCTF: Emergency fund for wine farms impacted by the**  
**consequences of Russia’s aggression against Ukraine**

Excellency,

## 1. PROCEDURE

- (1) By electronic notification of 4 March 2024, France notified aid in the form of limited amounts of aid (TCTF: “*Fonds d’urgence en faveur des exploitations viticoles impactées par les conséquences de l’agression de la Russie contre l’Ukraine*”, “the measure”) under the Temporary Crisis and Transition Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (the “Temporary Crisis and Transition Framework”) <sup>(1)</sup>. On 25 March 2024, 3 and 24 April 2024, France submitted complementary information.
- (2) France exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with

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<sup>(1)</sup> Communication from the Commission on the Temporary Crisis and Transition Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia (OJ C 101, 17.3.2023, p. 3), as amended by Commission Communication C(2023)8045 (OJ C1188, 21.11.2023, ELI: <http://data.europa.eu/eli/C/2023/1188/oj>).

S. E. Monsieur Stéphane SÉJOURNÉ  
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Article 3 of Regulation 1/1958 <sup>(2)</sup> and to have this Decision adopted and notified in English.

## 2. DESCRIPTION OF THE MEASURE

- (3) France considers that the Russian aggression against Ukraine and its direct and indirect effects, including the sanctions imposed and the countermeasures taken for example by Russia, have economic repercussions on the entire internal market (“the current crisis”). According to the French authorities, the current crisis has created significant economic uncertainties, disrupted trade flows and supply chains and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods, including fertilisers, highly relevant for the agricultural sector. Those effects taken together have caused a serious disturbance of the economy in all Member States.
- (4) The French authorities have explained that the current crisis has direct repercussions on the French economy in general and in particular the agricultural sector. In particular, the viticulture sector in the southern France faced a crisis as a result of the Russian aggression against Ukraine exacerbated by the inflationary period <sup>(3)</sup>, particularly marked by the price increases of raw materials <sup>(4)</sup>. The current crisis has generated a significant increase in the cost of energy (fuel, electricity), fertilisers and raw materials. More specifically for this sector, the production price of glass and glass articles increased by 23% between December 2021 and December 2023, linked in particular to the increase in the price of gas, essential for the production of glass <sup>(5)</sup>. This increase in glass production costs was passed on to the selling price of bottles. Wine growers have therefore suffered a significant increase in the price of glass bottles, accompanied by supply difficulties <sup>(6)</sup>. After two years from the beginning of the current crisis, the

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<sup>(2)</sup> Regulation No 1 determining the languages to be used by the European Economic Community (OJ 17, 6.10.1958, p. 385).

<sup>(3)</sup> On the one hand, the current crisis has contributed to accelerating the inflation since the summer of 2021 (5.2% in 2022, 4.9% in 2023, compared to 1.6% in 2021). Since February 2022, the prices of many raw materials increased, with price inflation being particularly important in the food sector (7.2% over the year 2023, 5.7% in one year in January 2024). While food prices increased by 18.6% between 2021 and 2023, the decisions made by consumers were made to the detriment of less essential purchases such as wine. Thus, sales of still wines in mass distribution fell by 5% in volume between January and October 2023 compared to the same period in 2022. The impact of inflation is particularly marked for wines produced in the south of France, which represent the majority of PGI (Protected Geographical Indications) wines produced in France, for which the drop reaches 12% between 2019 and 2023 (Source: *Institut national de la statistique et des études économiques* (INSEE)).

<sup>(4)</sup> The evolution of prices of the main expenditure items for the viticulture sector (comparison between 2021 and 2023, considering 2015 as base 100%) has been as follows: prices of fuel passed from 121% in 2021 to 175.5% in 2023 (variation of +45%); electricity passed from 118.9% in 2021 to 144% in 2023 (variation of +21%); fertilisers and amendments passed from 116% in 2021 to 153% in 2023 (variation of +31.8%); Vine fungicides from 89% in 2021 to 101.9% in 2023 (variation of +14.5%) (Source: INSEE).

<sup>(5)</sup> Source: INSEE.

<sup>(6)</sup> In 2022 seven Ukrainian factories, subsidiaries of the two glassmakers Owens and Verallia, had to stop their production due to of the war (These two groups produce three quarters of the glass bottles in circulation on the European market). These supply difficulties are particularly marked for the cheapest

French authorities consider that the economic situation is not improving sufficiently and that the viticulture sector requires liquidity in order to remedy the liquidity shortage faced by those undertakings due to their losses as a result of the current crisis, which will enable them to maintain their activities for the future. Thus, the measure aims at addressing the liquidity shortage faced by certain categories of farmers in the sector concerned who are directly affected by the serious disturbance of the economy.

- (5) France confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the European Economic Area (“EEA”) to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.
- (6) The compatibility assessment of the measure is based on Article 107(3), point (b), TFEU, in light of sections 1 and 2.1 of the Temporary Crisis and Transition Framework.

### **2.1. The nature and form of aid**

- (7) The measure provides aid on the basis of a scheme in the form of direct grants.

### **2.2. Legal basis**

- (8) The legal basis for the measure is the draft of the Circular relating to the implementation of an emergency fund to support wine farms impacted by the consequences of Russia’s aggression against Ukraine <sup>(7)</sup>.

### **2.3. Administration of the measure**

- (9) The Ministry of Agriculture and Food Sovereignty <sup>(8)</sup> is responsible for administering the measure in conjunction with the prefectures which are the granting authorities under this regime.

### **2.4. Budget and duration of the measure**

- (10) The estimated budget of the measure is EUR 80 million financed from the State budget.
- (11) France has confirmed that the Circular mentioned in recital (8) will only be adopted following – and thus aid may be granted under the measure only as from – the notification of the Commission’s decision approving the measure until no later than 30 June 2024.

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bottle models, with the glass industry concentrating on its higher value-added production the most expensive bottles.

<sup>(7)</sup> *Projet de Circulaire relative à la mise en œuvre d’un fonds d’urgence en vue de soutenir les exploitations viticoles impactées par les conséquences de l’agression de la Russie contre l’Ukraine.* The ‘*Circulaire*’ will be adopted by the Ministry of Agriculture and Food Sovereignty on the base of the Decree 2024-32 of 24 January 2024.

<sup>(8)</sup> *Ministère de l’Agriculture et de la Souveraineté alimentaire.*