State aid rules: new categories of State aid

2018/0222(NLE) - 06/06/2018 - Legislative proposal

PURPOSE: to extend Council Regulation (EU) 2015/1588 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to certain categories of horizontal State aid.

PROPOSED ACT: Council Regulation.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: Council Regulation (EU) 2015/1588 (the EU's State aid Enabling Regulation) on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to certain categories of horizontal State aid empowers the Commission to declare by means of regulations that certain specified categories of aid are compatible with the internal market and are exempted from the notification requirement of Article 108(3) of the Treaty.

Centrally-managed EU funds, meaning funds under direct or indirect Union management (to the exclusion of funds under shared management with Member States), increasingly support activities in the common EU interest through financial instruments or budgetary guarantees, and thereby provide a particularly valuable contribution to growth and cohesion.

The Commission should be enabled to declare that, under certain conditions, aid granted by Member States, which is channelled through or supported by such centrally-managed financial instruments or budgetary guarantees, is **compatible with the internal market and not subject to the notification requirement**.

On 2 May 2018, the Commission presented its proposal for the next multiannual financial framework (MFF). Building on that, the Commission is proposing a number of horizontal and sectorial EU funding programmes, responding to new challenges whilst continuing successful established activities.

CONTENT: this proposal for an amendment of the EU's State aid Enabling Regulation aims to **improve the interplay** of those EU funding programmes with State aid rules. It will enable the Commission to make **targeted modifications** to current State aid rules so that national money - including from the European Structural and Investment Fund managed at national level - and EU funds managed centrally by the Commission can be combined as seamlessly as possible, without distorting competition in the EU's Single market.

More specifically, this proposal seeks to extend the Enabling Regulation to include **two new categories of aid**:

1. Member States' financing channelled through or supported by EU financial instruments or budgetary guarantees managed centrally by the Commission: the importance of EU financial instruments and budgetary guarantees for delivering support in a wide range of areas has increased over the past years. It is set to increase even further under the post-2020 multiannual financial framework. The Commission's proposals for EU financial instruments and budgetary guarantees managed centrally by the Commission contain important safeguards to prevent undue distortions of competition. Furthermore, they are typically less distortive than grants of a similar amount, since they usually involve smaller amounts of aid. It is therefore appropriate to enable the Commission to **block-exempt aid** provided through Member State financing, which is further channelled through or supported by EU financial instruments or

budgetary guarantees managed centrally by the Commission, provided that certain conditions are fulfilled.

In the Commission's experience, the alignment of such aid with the conditions applicable to EU centrally-managed financial instruments and budgetary guarantees, as implemented by Union bodies, ensures that the aid provided by Member States does **not give rise to any significant distortions of competition** and that it is possible to define **clear compatibility conditions** for this aid.

2. Aid for European Territorial Cooperation: for many years, promoting European Territorial Cooperation (ETC) has been a major priority of EU cohesion policy. Support for SMEs for costs incurred in ETC projects is already block-exempted under the General Block Exemption Regulation (GBER). Special provisions for regional aid for investments by undertakings of all sizes are also included in the Guidelines on regional State aid for 2014-2020 and in the regional aid section of the GBER. This means that the Commission has gained significant experience in relation to aid measures aimed at promoting ETC projects. It is therefore appropriate to enable the Commission to block-exempt financing provided in support of these projects.