



State Aid Modernisation

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*presentation represents the views of the author

State Aid Modernisation

- Context and challenges
- Objectives
- Communication on State Aid Modernisation
8/5/2012
 - Integrated approach
 - Common State Aid principles
 - Reform procedures
 - Improved collaboration with MS

Context and challenges

Context and
challenges
for State aid control
(economic, regulatory,
enforcement)

Objectives and
rationale
of State aid
modernisation

Growth policies

EU policies aim to overcome the crisis and pave the way to economic recovery, competitiveness, employment and growth:

- Need to go "*towards growth-friendly consolidation*" (Statement of European Council, 30/01/2012)
- Positive contribution of State aid rules to achieve EU2020 objectives

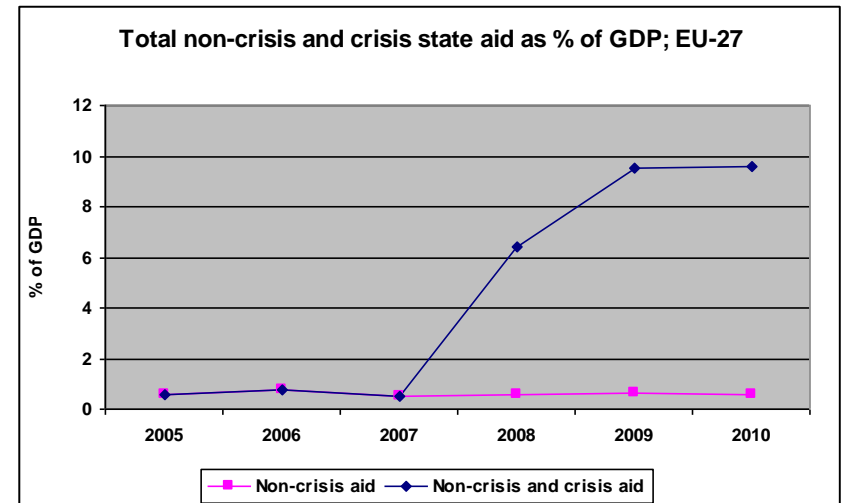
Additional challenges linked to the sovereign debt crisis:

- need for fiscal consolidation
- budgetary constraints

Impact of the crisis

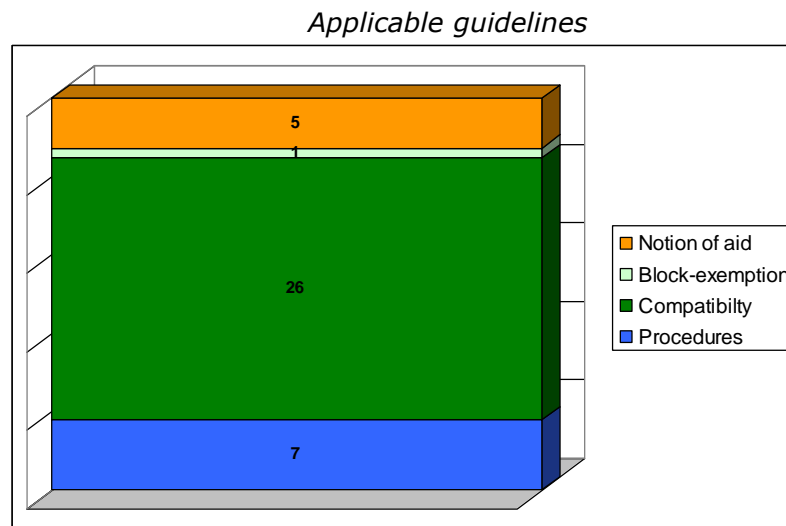
The economic and financial crisis has changed the State aid landscape:

- Coordinating crisis interventions (avoid contradicting measures) and preserving the internal market
- Need to provide consistent policy responses across the EU
- Lessons learned from the crisis (ability to intervene quickly, high degree of interaction with MS)



Complex State Aid rules

- A large array of applicable guidelines (39 guidelines and communications)
- Increasing body of case-law (notion of aid)



New EU framework

- Preparation of the EU Multiannual Financial Framework
- Establishment of budgetary surveillance systems
- Focus on quality of public finance (QPF)
- Expiry of key State aid instruments in 2013 (GBER, guidelines)

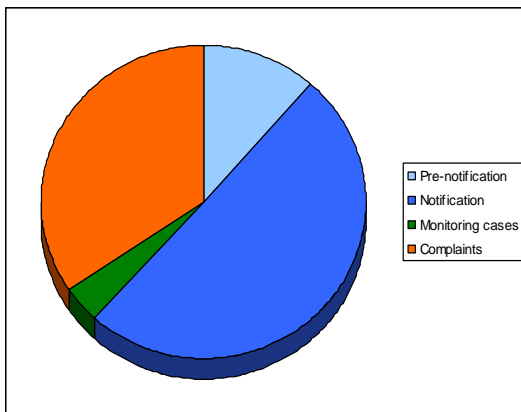
State aid context

- Non-crisis EU aid in 2010: EUR 73 billion (0.5% GDP)
- Number of new cases: 900 – 1000 per year
- Form of aid: 55% grants, 39% tax exemptions
- Objective of the aid:
 - 85% to horizontal objectives
(24% environmental, 24% regional, 18% R&D&I, 5% employment, 4% SMEs)
 - 15% sectoral aid
(coal, transport, rescue and restructuring, shipbuilding, steel)

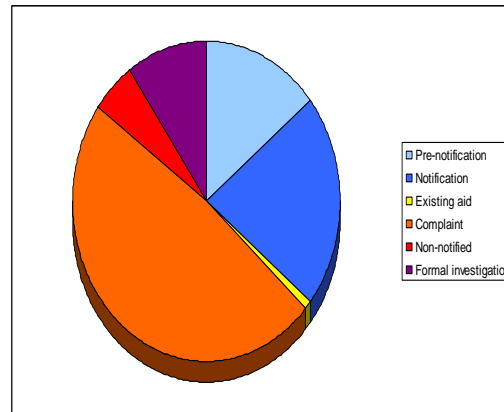
Enforcement context

- Too many cases of limited relevance for the internal market
- Half of the pending cases are complaints
- Need for business-relevant timelines for decision-making

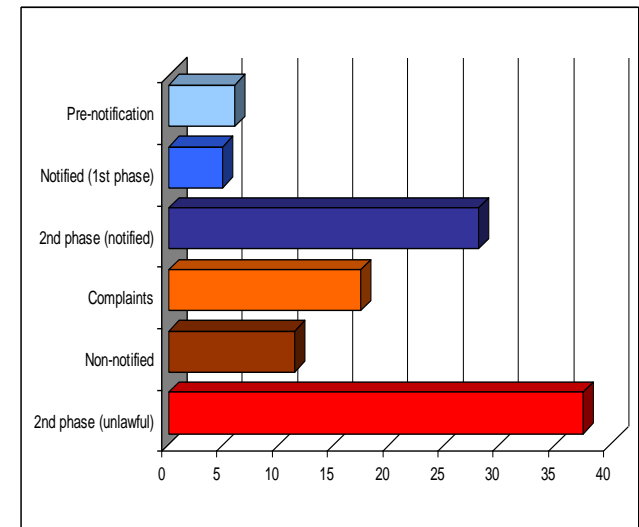
Inflow of cases (2008-2011)



Stock of cases (2011)



Average duration 2011 (months)

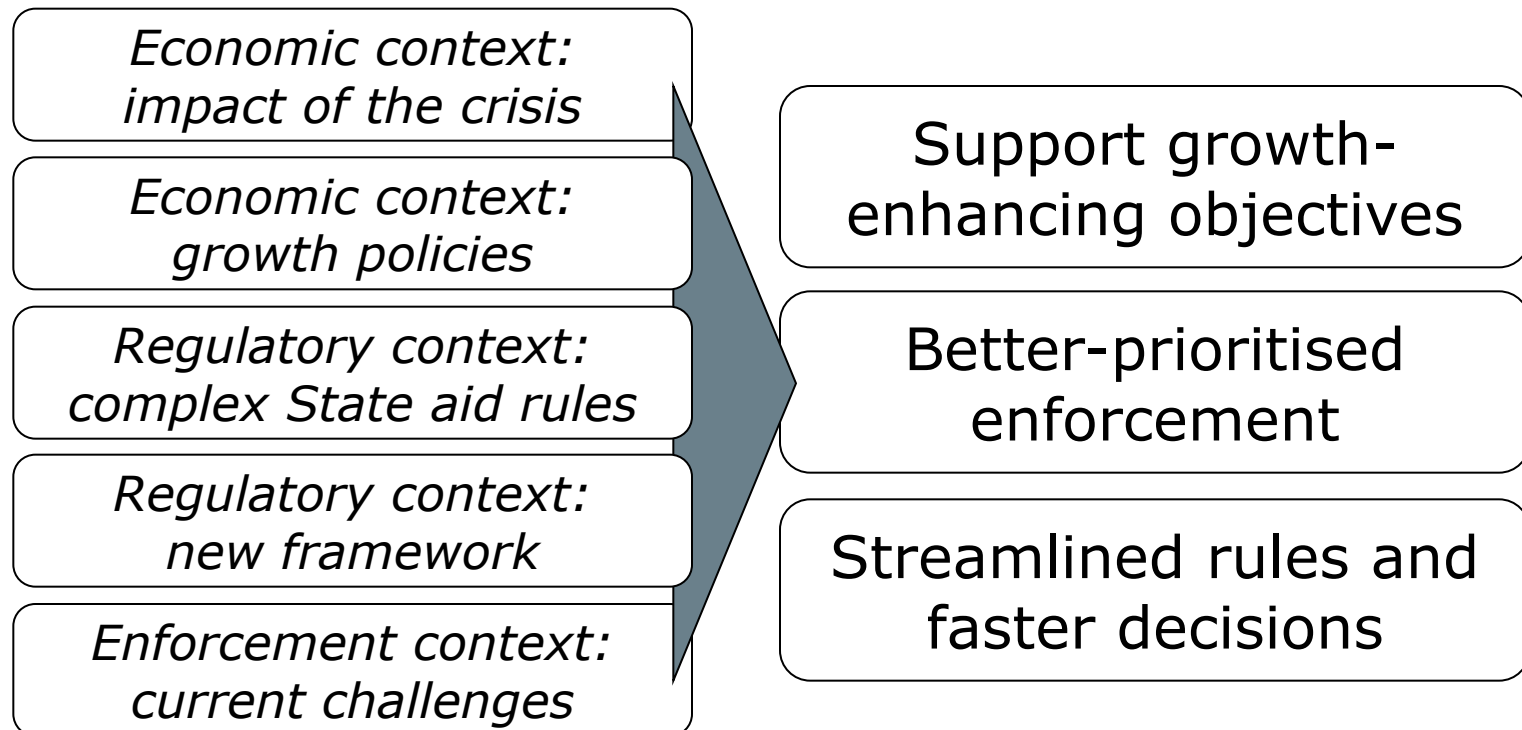


Focus on key objectives

Context and
challenges
for State aid control
(economic, regulatory,
enforcement)

Objectives and
rationale
of State aid
modernisation

Context and objectives



Support growth

Foster 'good' aid aiming at rectifying actual market failures and directly linking to EU 2020 objective

- Facilitating the granting of well designed aid targeted at common interest objectives
- Emphasis on the quality and the efficiency of support
- Ensuring a well-functioning internal market (limiting distortions of competition, preserving a level-playing field)

⇒ *stimulate innovation, growth and employment objectives, strengthen efficiency in times of budgetary constraints for MS*

Better prioritised enforcement

Increase efficiency through focusing on most important and potentially distortive cases

- State aid control at EU level to be prioritised on most significant cases (large and potentially distortive aid)
- Enforcement at EU and national level (cf. GBER)
- Proportionate and differentiated rules
- Reducing regulatory burden

⇒ less red tape for administrations and for cases with limited effect on trade, enhanced cooperation & partnership at EU and MS level

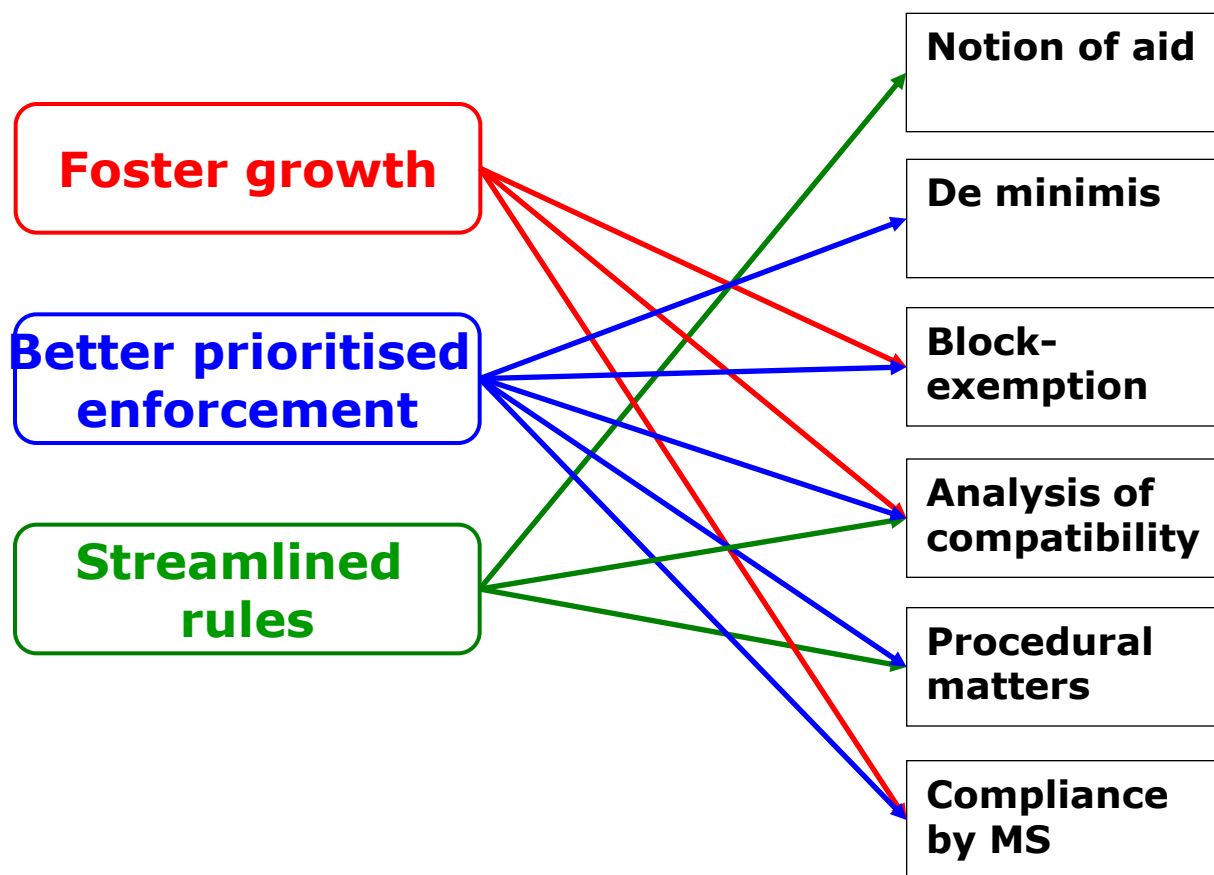
Streamlined rules and faster decisions

Need to address shortcomings of the State aid framework and of the procedures

- Clarify and simplify the rules
- Enhance consistency and streamline the assessment process (consolidate our horizontal and substantive rules)
- Well-informed decisions within business-relevant timelines

⇒ *Accelerated procedures, simplified/clarified rules for aid grantors and beneficiaries, facilitated assessment process*

An integrated approach



Building-blocks: Proposed elements of the package

Notion of aid	Notice on the notion of aid
De minimis	Reviewed <i>de minimis</i> Regulation
Block-exemption of aid	New Enabling Regulation and new General Block Exemption Regulation – less ex-ante control by COM
Analysis of compatibility	Common principles, consolidation, review of major guidelines
Procedural matters	Reform of the Procedural Regulation (+Implementing rules)
MS to strengthen compliance mechanisms	MS to strengthen national compliance mechanisms as COM reduces ex ante control

Notion of aid: Clarification

Notion of State aid based on Treaty and extensive jurisprudence

- No ready-made answer but clarification is possible
- Distinction from general measures, Market Economy Investor Principle, definition of economic activity
- Constitutional elements of State aid: State resources, selective advantage, effect on trade and competition

Block exempted aid: Enlarge scope

The rules which exempt certain categories of State aid from notification (block exemption) could be extended:

- by adapting the thresholds above which an aid needs to be notified
- by adding more categories that can be exempted from notification

Subject to ex ante/ex post control by MS and COM, resp.

Member States to step up compliance: different models possible – but issues of expertise, critical mass, interests

Compatibility: Common principles

Review and clarification of principles

Alignment across guidelines

- start with Broadband, Regional, R&D&I, Risk Capital and Environmental aid (more than 75% of all aid)

Place greater emphasis on incentive effect

- Aim to speed up decisions
- Aim to avoid wasting public money

More systematic assessment of negative effects

Procedural reform: complaints

- Filters to improve the quality of the information received from the complainants; e.g. mandatory complaints form, standing to be demonstrated
- How should the investigation of a complaint be closed? Is a Commission decision containing a full appraisal needed in all cases? – Decision not to pursue a case?

Procedural reform: access to information

Access to complete information within a relevant timeframe and at lower cost

- How could the necessary information be gathered more quickly to speed up procedures?
- How could the administrative burden on Member States of providing information be reduced?
- Commission should be able to obtain faster/more reliable information from market participants; however avoid administrative burden on MS/companies and ensure that MS always have access to information



Member States to ensure better compliance as fewer cases are cleared ex ante by Commission

Ex-post monitoring reveals significant difficulties (e.g. incentive effect, transparency)

More block exempted aid would require more effective control by Member States

- Faster procedures and less *ex post* monitoring difficulties
- Facilitate compliance and ensure timely remedial action
- Promote and reward Member States' best practices



Timeline

- Before the summer
 - Discussions with MS, Council, EP and stakeholders
 - Questionnaires on GBER, Risk capital, EAG
 - Consultation on Broadband GL
- Autumn
 - Commission proposal for the Procedural and Enabling Regulation
- End 2012 - beginning 2013
 - Public consultations/multilaterals/advisory committee
- End 2013 : Main elements of the package in place
 - Adoption GBER and *de minimis*
 - Adoption guidelines (RDI, Risk capital, EAG, RAG, R&R)
 - Adoption Notion of aid Communication
 - Council adoption Procedural and Enabling Reg.?



Thank you for your attention