The Hague, 19 October 2020

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Response of the Dutch authorities on the draft Communication from the Commission on the Regional Aid Guidelines

This response reflects the views of the Dutch 'Interdepartementaal Steun Overleg (hereafter: ISO)'. The ISO is a central State aid coordination body composed of all Dutch ministries and representatives of the regional and local authorities. The ISO is chaired by the Ministry of Economic Affairs and Climate Policy. The Minister of Economic Affairs and Climate Policy is responsible for competition policy in the Netherlands.

1. General remarks

In general the Dutch authorities endorse the primary objective of State aid control in the field of regional aid, that is to allow aid for regional sustainable development while ensuring a level playing field between Member States, in particular by preventing subsidy races that may occur when they try to attract or retain businesses in disadvantaged areas of the Union, and to limit the effects of regional aid on trade and competition to the minimum necessary.
In this light we do not support the idea that regional aid should also be granted for more operating costs than made possible in the draft of the Commission.
Operating aid under the RAG should be very limited and should only be considered compatible if it aims to reduce certain specific difficulties faced by SMEs in particularly disadvantaged areas falling within the scope of Article 107(3)(a) of the Treaty, or to compensate for additional costs to pursue an economic activity in outermost regions or to prevent or reduce depopulation in very sparsely populated areas.

In light of the economic disturbance created by the COVID-19 outbreak, the Commission plans to have a mid-term review of the regional aid maps in 2024, which will take into account statistics of the years 2020 to 2023. The Dutch authorities are in favour of a mid-term review in 2024 as this seems an appropriate moment to see which regions in Member States have been affected most by the crisis.

2. Specific remarks

The RAG excludes from its scope sectors that are covered by specific State aid guidelines. The Dutch authorities support these exclusion as the objective of geographical development distinguishes regional aid from other forms of aid, such as aid for research, development and innovation, employment, training, energy or for environmental protection, which pursue other objectives of common interest in accordance with Article 107(3) of the Treaty. It is preferable that aid governed by specific State aid guidelines should be dealt with under those guidelines.

Aid intensities
In the proposed draft, the maximum aid intensities have been increased back to the levels of the previous RAG to support the European Green Deal and Digital Strategy objectives by enabling additional incentives for private investments in those regions, including by large undertakings in a-areas. The Netherlands is not in favour of larger aid intensities as this can distort the competition in the internal market.

No Relocation
It is important to note that the Dutch authorities are of the opinion that it is essential to include adequate safeguards to ensure effective use of State aid within the RAG. This is needed to counteract unfair competition between undertakings through public financing on the basis of the RAG. An important aspect here is the prevention of relocation as a result of State aid. Since it affects the objectives of State aid control, relocation as a result of State aid is a disagreeable effect that must be prevented by definition.

Large undertakings
Aid to large undertakings was found to be unlikely to have an incentive effect for investment, therefore RAG authorised aid for investments of large enterprises in c-areas to a lower extent than investments by SMEs. Indeed the current RAG restricts the possibility of aid to large undertakings in c-areas to initial investments that bring new economic activities to the area (greenfield investment; diversification into new products). The current RAG introduced the possibility of aid to large undertakings in c-areas for the diversification of existing establishments into new process innovation, subject to notification and approval by the Commission.

The Netherlands supports the adjustment to remove that specific provision, while keeping the possibility to receive aid for greenfield investment and diversifications.

Designation of c-areas
The five criteria of paragraph 168 of the current RAG, based on which Member States could designate non-predefined c-areas have been maintained. The process related to the selection of assisted regions involves, after the designation of a-areas and pre-defined c-areas by the Commission, the selection of so-called non-predefined c-areas by Member States. Under the existing rules (paragraph 168 of the current RAG), there are five – rather heterogeneous – categories of non-predefined c-areas: (i) the first two are defined by reference to the number of inhabitants, GDP per capita, and the unemployment rate; (ii) the third category refers to geographically isolated areas (islands, mountains, peninsulas), subject to conditions; (iii) the fourth refers to regions adjacent to an 'a' area or a third country, subject to conditions; and (iv) the fifth concerns regions that are undergoing major structural change or are in serious relative decline, subject to conditions.
The Netherlands supports this but we do have a question on condition (iv) mentioned above. Could the Commission clarify whether 'major structural change' also entails change in regions because of the energy transition?

However, with a view to avoid duplication of work for Member States with regard to Just Transition Areas, it is proposed that Member States can assign the status of non pre-defined c-areas to Just Transition Areas without providing further justification that is normally required to provide for the application of criterion 5. Indeed, for Just Transition Areas, the existence of a structural change is considered to be sufficiently demonstrated as part of the respective Just Transition Plan. The Netherlands supports this.

The criteria as mentioned in no. 168 and elaborated in no. 174 do not always seem to correspond with the method to be used for the allocation of non-predefined 'c' coverage among Member States in annex 2. Could the commission explain this further?

Population coverage eligible for regional aid
The regional aid coverage, a-areas and predefined c-areas are updated based on the methodology based on most recent statistics on GDP and unemployment, which is in line with the procedure in the last period. The population ceiling has been set at 49%.

The Dutch authorities can support the increase with 2% from 47% to 49%.

Could the European Commission explain the calculation of the percentage of the national population for the Netherlands in annex I? The Dutch authorities would like to better understand the dynamics behind the increase in this percentage from 7,5 to 8,39.

Unemployment calculations (footnote 70)
For mapping the supported regions, the RAG currently defines that calculations should be based on regional data published by the national statistical office, using the average of the last three years for which such data are available. The Dutch Authorities request flexibility with regard to the these calculations in order to mitigate possible short term distorting effects of the Covid-19 crisis on the possibilities to provide regional aid to regions with long term convergence challenges. One option is to give Member States the possibility to use the average of three years by choice *within* the period of the last four consecutive years for which data are available. A second option is to enlarge the number of years which the average is based on from three to five years.

Transparency
The Commission proposes to insert a condition that requires that information on each individual aid award granted under the guidelines has to be published on the TAM award module. The Netherlands recommends to hold on to the threshold of at least Euro 500.000,- . This will reduce the administrative burden of Member States while still ensuring enough transparency.