

COMP A3 PUBLIC CONSULTATION

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Sent: Tuesday, January 10, 2023 4:14 PM
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Subject: HT.5647_Reply_from_a_citizen

To whom it may concern,

As a Member of the European Parliament, I am writing to submit a contribution to the **Renewal process of the European Commission Regulation (EU) No 1407/2017 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid.**

Since its creation, the Common Market has facilitated the development of businesses, fuelling jobs and growth across the EU, becoming a most prosperous example of regional economic integration models.

Since the 1990s, the European Union's competition law has strove to ensure that undertakings operating in the free market economy do not prevent the market from functioning optimally by acting anti-competitively. Based on the economic theory that holds that competition amongst undertakings produces the best outcome for society, state aid rules were intended to achieve a balancing act of economic policy by preventing the distortion of fair competition.

At the same time, on numerous occasions, the European Commission has supported the need to reduce the socio-economic gaps within the EU. However, this could only be achieved through adequate support to undertakings, including state aid flexibility, in order to help them mitigate shocks that could reduce the effectiveness of economic stimulus measures and companies' efforts to align with the Union's objectives.

It is indeed undeniable that due to geographical particularities and barriers, a differentiated approach is necessary in respect to some regions, including islands and island Member states.

As recognized in the European Parliament's Report on EU islands and cohesion policy: current situation and future challenges, the islands' physical disconnection and their remoteness from the mainland create additional constraints and costs, including for the labour market, the importing of raw materials and consumer products, access for island products to neighbouring external markets.

The physical and geographical characteristics of islands define inherent weaknesses in the economic fabric by making them more vulnerable to economic slowdowns and crises. This situation also defines more barriers and higher costs for undertakings situated on an island compared to the ones located on the mainland.

In light of the renewal of Commission Regulation (EU) No 1407/2017 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid, a rectification of the abovementioned inequalities and a solution to re-establishing fair competition for such islands and undertaking based on them would be the increase or the removal, for companies based on an island, of the ceiling of EUR 200,000 of the *de minimis* aid that they can receive per Member State over a three-year period.

The ceiling set must be adequate to address the disparities faced by undertakings situated on islands as well as the realities being currently faced by the European Union today. Being also heavily dependent on sea and air transport, islands' economies and, especially, companies situated on islands require additional supporting measures in order to achieve the European Union's economic, social and environmental goals, while competing successfully on a free market. This is even more applicable when it comes to Small and Medium-sized Enterprises located on islands, which face even further challenges.

In this respect, the following changes to the Regulation are also being suggested:

1. New recital:

With a view to mitigating the impact of geographical disparities on the European economic integration and territorial cohesion, and on the ability of islands and Island Member States to achieve the European Union's economic, social and environmental goals, the present Regulation shall not apply to undertakings operating from an island/s which rely exclusively on sea and/or air transport.

2. Addition to Article 1:

(f) aid granted to enterprises operating from an island.

Kind regards,

Josianne Cutajar
Member of the European Parliament