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European Commission
DG Competition

Review of the Regional Aid Guidelines (RAG) 2014-2020, FI contribution

Finland's position

Finland considers that the basic starting point for the reform of the guidelines on national regional aid should be to promote economic growth in the various regions of the EU and that the rules should support the achievement of the objectives of common interest of the EU. Regional aid should mainly focus on promoting business growth, renewal and innovation. It is also essential that the rules ensure a level playing field between Member States and minimise the risk of distortions of competition in the internal market.

Regional Aid Maps

The Government considers that it is important that, in line with the Commission's policy, regional aid is targeted at areas whose economic situation is unfavourable in relation to the European Union as a whole or which are disadvantaged in relation to the national average.

The total population coverage must be available in such a way that in addition to predefined 'c'-areas it is possible to designate disadvantaged areas in other parts of the territory of a Member State as non-predefined 'c' areas in the regional aid map.

Low population density is still a factor that makes many regions in Finland disadvantaged both nationally and at EU level. In addition to sparsely populated areas regions where economic or employment development is clearly weaker than the EU and/or national average can be considered disadvantaged. Such regions may, for example be the object of an abrupt structural change or a serious relative decline. These areas may exist in different parts of the Member State and sparse population may not correlate with socio-economic

development. The eligibility criteria for the regional aid map should be sufficiently flexible to allow for the wide diversity of situations in which the granting of national regional aid may potentially be justified. This would enable Member States to make genuine use of investment aid as a regional development instrument.

7.3. The derogation in Article 107(3)(c)

7.3.1. *Predefined 'c' areas*

Finland proposes to consider the possibility to use part of the population coverage of sparsely populated predefined 'c' areas also outside these areas in a way that NUTS 3 regions or parts of NUTS 3 regions could be included in the regional aid map. This could be done on the basis of socio-economic criteria (such as GDP and unemployment) and/or sparse population. This would be particularly important in Member States such as Finland where the population coverage of non-predefined 'c' areas is very limited.

7.3.2. *Non-predefined 'c' areas*

Regional aid guidelines (Article 175 a) evaluation criterion 1) require that a non-predefined 'c' area must have at least 50 000 residents. This criterion for the number of inhabitants is high in Member States with relatively small population, such as Finland where the population coverage of non-predefined 'c' areas is low.

Finland considers that it is important that islands or contiguous areas characterized by similar geographical isolation (Article 175 c) can be designated as non-predefined 'c' areas and the Criterion iii (less than 5 000 inhabitants) remains.

Finland also considers that it is important that the population threshold required in regions undergoing major structural change or regions that are in serious relative decline (Article 175 e) is at most 25 000 for Member States that have a non-predefined 'c' coverage of less than 1 million inhabitants.

According to Article 175 e footnote, to designate Just Transition Areas in the regional aid map a socioeconomic justification is not required as the structural change is considered to be demonstrated as part of the respective Just Transition Plan. However, it might be beneficial to provide justifications for the designation of Just Transition Areas as well. This makes the procedure transparent, for example, in situations where it is not possible to designate all Just Transition Areas within the limits of population coverage.

7.6. Amendments

7.6.2 *Mid-term review*

A mid-term review of the regional aid maps, taking into account updated statistics and planned to take place in 2024, is a welcome proposal. However, the evaluation should take place as soon as the relevant statistics is available to take into account the effects of COVID-19 pandemic.

Criteria for granting aid and prior notification procedure

Finland considers that when determining the maximum aid intensities of the guidelines and the criteria for granting aid, particular attention should be paid to the level playing field of the Member States in the internal market.

In its proposal on the guidelines for regional aid, Finland does not support an increase of 5 percentage points in the maximum aid intensities for business investment aid in regions eligible for regional aid.

Finland, in particular, refrains from the Commission's proposal to increase the maximum aid intensities for investment aid also for large companies. It is also justified that support for large enterprises in "c" areas will continue to be possible only to a limited extent. The reason for this is the considerably better opportunities for large companies to provide the total funding needed for the implementation of investments. In general, the aid granted to large enterprises is not considered to have a significant incentive effect on the implementation of the investments.

In the case of very small enterprises, mainly micro-enterprises, the negative effects on competition would be lower than the effects of the general increase in aid intensities. However, in the current regional aid regulation, micro-enterprises are not defined as their own group, so any changes in the aid intensities would apply more widely to the whole group of small enterprises. Investments by small enterprises may already have significant effects on competition (more than micro-enterprises), which is why the need for such extensive changes and the effects on competition need to be examined in more detail. For this reason, Finland has reservations about increasing aid intensities also for non-large companies.

Finland also has reservations about the Commission's proposal that aid intensities for "c" areas adjacent to the "a" area could be increased so that the difference between aid intensities does not exceed 15 percentage points. The proposal may distort trade and competition between Member States. Finland considers that in all "c" areas the maximum aid intensity should primarily be based on the level of development in the area concerned, not on the level of development in the adjacent area.

When assessing the regional state aid rules, it should be noted that economic development is also taking place in areas where the economic situation is unfavourable to the average of the European Union as a whole. It would be justified to assess whether the maximum aid intensities for "a" areas are at the right level in relation to the severity of regional development problems in the regions. In Finland's view, it would be justified to examine whether the objectives related to regional development can also be achieved in the "a" areas with the lowest maximum aid intensities.

Finland considers that regional aid that distorts competition the most must remain within the scope of the ex ante notification procedure for state aid. The assessment procedure of the guidelines must ensure that both the adverse effects on the location of the aid and the effects on the product market are limited.