

The NSPA views on the EU Consultation on Guidelines for Regional State Aid 2022-2027

The Northern Sparsely Populated Areas network, NSPA, represents the interests of the four northernmost regions of Sweden (Norrbotten, Västerbotten, Jämtland Härjedalen and Västernorrland), the seven eastern and northernmost of Finland (Central Ostrobothnia, Kainuu, Lapland, North Karelia, Northern Ostrobothnia, Pohjois-Savo and South Savo), as well as the two northernmost regions of Norway (Nordland, Troms & Finnmark).

NSPA: specific regions with vulnerable business ecosystems

NSPA have an average population density of five inhabitants per square kilometre. The regions are situated in the remote northernmost Europe with a harsh Arctic and Sub-Arctic climate during most of the year. There are extreme distances both within the region and for companies to reach larger markets. This gives the NSPA competition disadvantages with extra costs for businesses and livelihoods in comparison to many other parts of Europe and elsewhere in the world.

On the other hand, the regions have many assets linked to the natural resources needed by global industries and markets. The extraction and refinement of natural resources puts high pressure on the local communities to provide competences and skilled labour, as well as create attractive societies and living environments for more long-term sustainable development, to avoid the creation of fly-in-fly-out local economies with limited industry cycles. Targeted actions to support different dimensions of the regional economy is therefore indispensable.

Within the regional ecosystems, where micro-companies most often are more common than SME's, connectivity through digital infrastructure, broadband and ICT are of major importance to create critical mass for innovation and development investments. To be able to grow or even survive, the micro-companies are, due to lack of critical mass and a small home market, very much dependent on the ability to reach and engage in innovative efforts that rely on the large regional as well as global companies. Large companies do often have their headquarters elsewhere and smaller establishments in the NSPA regions. Establishments that, however, are essential for local economies and societies, as a part of the local business eco-system. Also, these companies should be eligible for grant aid to stimulate growth and research among SMEs in NSPA.

EU regional support schemes and state aid exemptions that corresponds for NSPA

The mentioned specific conditions in the NSPA calls for adapted support schemes. The Finnish and Swedish regions receive an extra allocation within the EU regional policy package which are of tremendous importance for the ability to turn territorial challenges into business opportunities. The EU state aid regulations and the specific exemptions for the regions to use support and state support to tackle the permanent and natural disadvantages, complement the structural funds as a tool-box for adapted development activities to compensate for regional disadvantages. For the Norwegian regions of the NSPA, the EU state aid regulations play an even more important role for the national regional policy to deliver a more equal playing field between regions with different conditions.

Overall, the NSPA appreciates the specific measures and exemptions that are in place within the current state aid regulations and would like to stress the importance to maintain the substance for also updated guidelines. For remote regions with long distances can especially investments in connectivity such as infrastructure and broadband be put forward.

It is also highly relevant to continue to use the definitions that the EU has settled concerning regions with specific territorial conditions. The geographic areas that are given adapted support schemes and exemptions should continue to be pinpointed, such as with the NSPA's extreme sparsity on NUTS 2 and NUTS 3 level in comparison with other areas in Europe. Using the same definitions over the different EU policy areas simplify the implementation procedures and

facilitates the by EU provided complementing actions in a specified territory. The current guidelines for regional aid, form a sufficient fundament for specific EU regional policies directed towards the NSPA-regions in Sweden and Finland, which also includes north Norway, in accordance with the paragraph 158 (b) in the regional aid guidelines.

More flexible state aid regulations with targeted measures for specific regional challenges

NSPA supports more flexible state aid regulations with an increase of maximum intensity to address the EU goals for green and digital economy, the Green Deal and the Industrial Strategy. However, much more can be done to target action through regional, national and EU-support to sparsely populated areas and societies that are trying to tackle severe challenges on regional outmigration and depopulation. The Covid-19 pandemi putting extra pressure on the economies.

Economic shifts, as the green and industrial transformation, can increase the need for subsidies and state aid, while the aim is generally to support actions to make investments and structural changes more economical viable for companies to become more competitive in the long run, also possible to use other legislation and taxation to phase out old technologies and production methods. The same goes for acute needed actions to in short-term tackle the effects of Covid-19.

But this is different for regions with permanent handicaps that causes genuine territorial market failures, due to distance and lack of critical mass. This is the case for the micro-companies and SME's and the small societies throughout the vast hinterlands in the NSPA. Although the growth potential may be comparatively even larger than for competitors in urban areas, geography and demography causes obstacles that requires more permanent specific targeted support.

Therefore, continued specific regulations for investments and operational aid in the remote sparsely populated areas are needed. NSPA welcomes the overall block exemptions for adapted and targeted development actions for also a broader range of sectors, which will improve the diversification of regional economies and possibilities to expand the workforce competences. Such broader block exemptions will also help shorten the notifying processes which can avoid delays in investments, which can have severe consequences for low-density economies.

Evidence for need to continue adapted support measures for the NSPA

The need for adapted specific support including state-aid measures are evident in the analyses and reports made on the Northern Sparsely Populated Areas.

OECD launched their Territorial Review of the NSPA in 2017, which pinpointed the need of external support and adapted smart specialisation strategies tailored to fit the specific territorial conditions of the NSPA. The regions are global leaders in many areas, but also vulnerable due to the lack of own critical mass, long distances to markets and an economy that generally relies heavily on an economic base that needs to be broaden. A long range of investments are needed to unlock economic potentials, but the OECD put an emphasis on the need for investments in connectivity measures.

Further back, the Nordic Council of Ministers research institute Nordregio, provided the NSPA with studies that showcased the obstacles and handicaps that needs to be tackled in order to create growth and attractive living environments. These measures included public interventions on a broad range of areas. The studies are still very much relevant, as the specific territorial conditions of the NSPA still requires flexible exemptions to be able to provide targeted support.

Against this backdrop of mentioned aspects, the NSPA would like to contribute to the ongoing revision process with support to the current balanced regulations for state aid.