

## **INSULEUR's response to the proposal for the revision of Regional Aid Guidelines**

INSULEUR agrees with the purported objectives of state aid to be aligned to assist in the transition of the European economy to the green and digital one. Within this context, INSULEUR which represents the Insular Chambers of Commerce and Industry of the European Union believes that islands will benefit substantially from this transition.

As indicated by the present pandemic, island economies are more reliant on tourism, which has left their economy exposed during the present crisis. Within this scenario islands constitute ideal test beds for the deployment of innovative technologies in the area of sustainability. Islands are also the most affected by the effects of climate change. Moreover the digital economy, is a sector, which can be operated from anywhere independent of the location. This means that these two sectors hold considerable potential for island economies. Thus, INSULEUR agrees that regional state aid rules are aligned to the Commission objectives vis á vis these two areas.

Islands suffer severe handicaps determined principally by their geographical limitations. Consequently, an analysis of their economic development should also analyse the contribution of certain sectors which are not sustainable and which do not contribute to the long term economic growth of the island economy.

Nonetheless the underlying problem of regional aid is that it automatically assists regions which are classified under NUTS 2 classification. The current proposed guidelines as indicated in section 7.2 (paragraphs: 157 – 160) are going to retain the *status quo*. Island regions on the other hand are considered as NUTS 3 regions composed of one or more islands. To this end INSULEUR is calling for a derogation which calls recognises islands or groups of islands as 'a' regions for the scope of the regional aid guidelines.

Presently islands may be considered as non-predefined 'c' areas, only if they are designated by a Member State. In order to ensure that aid is channelled to islands, and that these are not grouped with other territories based on the discretionary judgment of Member States, islands should be considered as 'a' regions,

Moreover, specific reference should be made so that islands should also be considered eligible under the Operating Aid Scheme identified under paragraph 5.1.3 of the proposed Guidelines for Regional State Aid, where it is highlighted that:

Operating aid schemes will promote the development of disadvantaged areas only if the challenges that these areas face are clearly identified in advance. The obstacles to attracting or maintaining economic activity may be so severe or permanent that investment aid alone is not sufficient to allow the development of those areas.

Islands should qualify for this type of assistance based on their status of islands in the upcoming 2022 – 2027 period. The current pandemic has shown the importance for islands to diversify their economy. Assistance in the initial investment may not be enough to actually attract firms to operate from islands given the intense competition in specific sectors also within the same country. Establishing themselves on islands would not be the first choice for many operators seeking to open a business concern within the same national territory. Consequently, operating aid schemes would be crucial for islands in the upcoming 2022 – 2027 period.