

Malta position on the draft Commission Regulation declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union and repealing Commission Regulation (EU) No 702/2014 and the Guidelines for State aid in the agricultural and forestry sectors and in rural areas

Reference is made to the draft *Commission Regulation declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union and repealing Commission Regulation (EU) No 702/2014* and the draft *Guidelines for State aid in the agricultural and forestry sectors and in rural areas* and the meetings held on 10 March 2022.

The proposed targeted changes to the State aid rules applicable in the agricultural and forestry sectors and in rural areas, are generally welcomed as their scope is broadened and also aligned with the new CAP Framework and the Green policy objectives of the Commission.

Further to the comments already made during the meetings, the Maltese Authorities would like to submit the following points for the Commission's consideration.

Aid for investments in agricultural holdings linked to primary agricultural production - Article 13 ABER and Section 1.1.1.1 of the Guidelines

The condition found in Article 13(11)(f)(iv) ABER and paragraph 155(c)(ii) of the Guidelines, that the investment is to result in a percentage of effective reduction in water use of at least 50%, goes beyond the conditions under the SPR Regulation. Whilst this condition was part of the previous programme Regulation (Article 46(4) of Regulation (EU) No 1305/2013), the SPR Regulation does not stipulate a minimum percentage of water savings. It is therefore believed that such condition should be deleted from the proposed drafts.

Furthermore, Article 74(4) of the CAP SP Regulation provides for the following exemption from obligations, which has not been reflected in the draft State aid rules: "*None of the conditions in this paragraph shall apply to an investment in an existing installation which affects only energy efficiency, to an investment in the creation of a reservoir, or to an investment in the use of reclaimed water which does not affect a body of groundwater or surface water.*" In our opinion, such exemption should also be included in the ABER and the Guidelines so as to further align State aid rules with the SPR Regulation.

Aid to make good the damage caused by adverse climatic events which can be assimilated to a natural disaster – Article 24 ABER and Section 1.2.1.2 of the Guidelines

With regards to Article 24 of the draft ABER and Section 1.2.1.2 of the draft Guidelines, we recommend the insertion of the following paragraph in the text:

By way of derogation, Member States may decide to allocate a flat rate for each hectare of land cultivated with seasonal and permanent crops, excluding grassland and permanent pastures, to compensate farmers for their loss of income. In such cases the following conditions shall be adhered to:

- *the total compensation provided due to the event at Member State level does not exceed €3,000,000,*
- *area claimed with damages does not exceed 30Ha per farmer*
- *the flat rate per Ha does not exceed €5000 per Ha*

Extension of the scope of the ABER

The Maltese authorities welcome the broadening of the scope of the ABER, particularly with regards to the forestry sector, since the draft proposes to exempt from the notification requirement certain forestry measures even if they are not co-financed measures.

Threshold for publication - Transparency

The draft ABER and draft Guidelines propose to lower the publication threshold for individual aid awards from EUR 60,000 to EUR 10,000 for beneficiaries active in the primary agricultural production, and from EUR 500,000 to EUR 100,000 for beneficiaries active in the sectors of the processing of agricultural products, the marketing of agricultural products, the forestry sector or activities falling outside the scope of Article 42 of the Treaty.

As a result of the lowered thresholds, the obligation to publish data in individual aid awards will therefore increase significantly. From our point of view, such a reduction, especially such a drastic one, is likely to lead to considerable additional costs being borne by the Member States, without any added value. Lowering the thresholds would entail a considerable amount of additional bureaucratic administration and expenditure.

The Maltese Authorities therefore believe that the current thresholds should be retained.

Whilst trusting that Malta's submission will be taken into account in the ongoing discussions on the revision of State aid rules applicable to the agriculture sector, we remain available for further discussions regarding the points raised.