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REPUBLIC OF CYPRUS
MINISTRY OF AGRICULTURE,
RURAL DEVELOPMENT
AND ENVIRONMENT

DEPARTMENT OF AGRICULTURE
1412 NICOSIA

25 February 2019

Director-General
Ministry of Agriculture, Rural Development and Environment

**Subject: SUMMARY RECORD OF THE MEETING OF THE ADVISORY COMMITTEE ON STATE AID,
17 DECEMBER 2018**

With regard to the above matter and your instructions in relation to the letter from the Office of the Commissioner for State Aid Control (file nos 25.03.001.001, 25.03.002.001, 25.08.003.001), dated 25 January 2019, on the amendments to Regulation (EU) No 702/2014 on state aid in the agricultural and forestry sectors (Exemption Regulation) and Commission Regulation (EU) No 1408/2013 on de minimis aid in the agriculture sector, we wish to inform you that the Department of Agriculture has no objection to the proposed amendments.

More specifically, the amendments to Regulation (EU) No 702/2014 involve technical adjustments while the amendments to Regulation (EU) No 1408/2013 present two 'steps'. The first 'step' provides for the individual limit for de minimis aid to be raised to €20 000 (from the current sum of €15 000) and the national cumulative amount by 1.25 % (the national cumulative amount that applies to Cyprus is €7 060 000), without new conditions being introduced. The second 'step' provides for the individual limit for de minimis aid to be raised to €25 000 and the national cumulative amount by 1.50 %, on the condition that there will be an upper limit of 60 % per sector and a central register will be set up to monitor these three limits. A letter from the Director-General of the EU Directorate General for Agriculture and Rural Development, dated 10 January 2019, explained that MS can choose to adopt the second step at any time, on the condition that they must have already set up the required central register. The letter from the EU also says that the proposed two-'step' approach gives more flexibility to MS to make the most of the de minimis aid.

Finally, in light of the EU's ongoing discussions about the new Regulations and Guidelines on state aid, we would like to take the opportunity to put forward some recommendations regarding the 'European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas', to assist the Office for the Commissioner for State Aid Control (EEKE), which is monitoring the discussions.

More specifically:

A. Points 1.2.1.1. 'Aid to make good the damage caused by natural disasters or exceptional occurrences' and 1.2.1.2. 'Aid to compensate for damage caused by adverse climatic events which can be assimilated to a natural disaster' in the existing EU Guidelines, specifically paragraphs 341 and 358 (attached for ease of reference), which explain the method used for calculating the loss of income, state that in order to work out the normal production and the income for the reference period, the average of the previous three- or five-year period is taken into account minus the highest and lowest price. Bearing in mind the impact of the severe climatic conditions, especially on crops that are affected by cycles of drought or frequent heavy rainfall (e.g. cereals and fodder plants), a problem that is particularly severe in Cyprus, we recommend that efforts be made to amend the above points so that in special cases the normal production and the income for the relevant reference period can be determined on the basis of the average of a greater number of years.

B. According to the opinion expressed by the EEKE on the subject, point 1.2.1.5. 'Aid to compensate for the damage caused by protected animals' (attached for ease of reference), of the existing EU Guidelines, does not cover income loss resulting from whole or partial destruction of agricultural production and means of agricultural production by protected animals. It only covers damage to plants caused by protected animals (with eligible costs based on the market value of the destroyed plants) as well as material damage to assets based on the repair cost. Bearing in mind that points 1.2.1.1. and 1.2.1.2. of the Guidelines — which refer respectively to 'Aid to make good the damage caused by natural disasters or exceptional occurrence' and 'Aid to compensate for damage caused by adverse climatic event which can be assimilated to a natural disaster' — also cover loss of income, we recommend that efforts be made to also include this type of aid in point 1.2.1.5. 'Aid to compensate for the damage caused by protected animals' of the new Guidelines under discussion. Particularly in cases where damage has been caused to plants, it is vital to cover loss of income resulting from the full or partial destruction of the agricultural production, besides the cost of replacing the destroyed plant stock, bearing also in mind the time it takes to restore crops to their original state.

(Makis Antoniadis)

For the Director-General