



**ROYAL NORWEGIAN MINISTRY OF
LOCAL GOVERNMENT AND MODERNISATION**

The Minister

Vice-President Almunia
European Commission
1049 Brussels

Deres ref

Vår ref
14/1411-8

Dato
28 April 2014

Sector limitations in the guidelines for regional state aid

Dear Vice-President Almunia.

The Norwegian Government has followed the ongoing modernisation of the state aid rules closely. We would like to congratulate The European Commission (the Commission) with the work laid down over these past few years in revising the entire framework for state aid within the European Union and the European Economic Area.

In Norway, regional policy is particularly important, due to our situation at the outskirts of Europe and to the low population density in most parts of the country. Hence, we are very concerned with the possibilities and constraints that the Regional aid guidelines constitute with regard to our regional policies.

Against this background, the increased use of sector limitations in the new Regional aid guidelines (RAG 2014-2020) causes great concern. The Norwegian authorities emphasized the importance of maintaining the possibility to grant horizontal regional aid with as few sectoral limitations as possible in our comments to the draft RAG in March 2013. However, the amended sector limitations in the RAG 2014-2020 have led to considerable doubt and discussions as to their possible interpretation and consequences.

The demarcation of the notified scheme against sectors that are currently covered by the scheme (i.e. the transport, energy, financial and insurance sectors) give cause to serious concern for the Norwegian Government. The negative effects of the exclusion of these sectors in a broad, horizontal regional aid scheme such as the social security

scheme are considerable and contrary to the aim of regional development within the very sparsely populated and remote areas covered by the scheme.

Moreover, the Norwegian Government has the ambition of reducing the administrative costs of both public bodies and private companies. The modernisation of the state aid rules is therefore very welcome, in particular the streamlining the GBER. A further focus on administrative costs related to state aid in general, and regional aid guidelines in particular, would be welcome.

Seen from the Norwegian Government's perspective, regional aid guidelines should be general and cover all businesses in specific regions. We should therefore avoid sector exemptions in horizontal aid schemes. Such exemptions increase the administrative costs substantially, especially for small and medium-sized enterprises. The new exemptions increase the compliance costs both for the aid recipients and for the granting authorities.

One specific and vital issue for Norway is whether and to what extent the sector limitations should apply to all regional state aid measures affecting the exempted sectors, including measures that are of a horizontal nature only, or whether the sector limitations aim at measures strictly targeting the sectors as such.

Another issue is the definitions of the exempted sectors. We understand that the Commission is in the process of defining these sectors and hence the limitations more in detail within the framework of the new general block exemption regulation (GBER). The Norwegian Government welcome this effort by the Commission.

One of Norway's most efficient regional state aid measures is the Norwegian Regionally Differentiated Social Security contribution scheme (SSC scheme). This is a general, horizontal, regional aid scheme under which aid is granted in the form of reduced social security contributions to all employers in the eligible very sparsely populated areas of Norway. The aim of the scheme is to reduce or prevent depopulation in the least populated regions in Norway by stimulating employment in these regions. The scheme is open to all undertakings in all sectors of the economy, with the exception of undertakings in excluded sectors.

The SSC scheme is by far the most important regional state aid measure in Norway, and it is very important for the Norwegian Government to be able to maintain this scheme without disruption from 1 July. Hence, it is both vital and urgent for the Norwegian Government that the implications of the sector limitations are fully clarified in order to make it possible to have the scheme cleared by the EFTA Surveillance Authority as soon as possible.

The Norwegian authorities have discussed the sector limitations on several occasions with both the Commission and the EFTA Surveillance Authority (the Authority). In

February, however, our request for a meeting with the Commission, as the main legislator in the field of State Aid, was declined, as the Commission considered it more appropriate for the Norwegian authorities to discuss the issue with the Authority.

In the course of the pre-notification and notification discussions, the Authority has maintained, from what we understand after having consulted with the Commission, that the sector limitations of the RAG 2014-2020 apply also to horizontal regional aid schemes. Furthermore, the Authority has, again after having consulted with the Commission, presented very wide definitions of the new exempted sectors, i.e. the energy and transport sector.

After the notification of the SSC scheme was made public, the Norwegian Government has been approached by a large number of undertakings and NGOs expressing their grave concerns with the negative effects of the notified sector demarcations. These demarcations imply that the scheme will be less effective as a tool for regional development. Furthermore, they will extensively increase the cost of compliance due to the fact that the notified sector limitations will affect a vast number of undertakings. Hence, it is apparent that the consequences of a strict interpretation of the sector limitations will have severe negative implications to Norwegian regional policies.

We would therefore urge the Commission to accept an interpretation which makes it possible to grant regional aid under a general scheme open to all undertakings in all sectors of the economy, with the possible exception of the steel and synthetic fibres sectors.

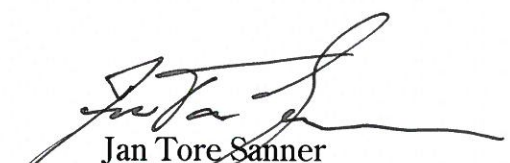
Moreover, it is vital to establish clear definitions of the sectors that are subject to limitations in RAG and GBER, preferably by reference to NACE. Further, the definitions should not be wider than necessary to achieve the purpose for those limitations.

As this matter is both vital and urgent for the Norwegian Government and referring to the Commission's ongoing revision of the General Block Exemption Regulation (GBER), which we understand includes a.o. sector definitions that will have implications on the interpretation of the RAG, the Norwegian Government would ask for a meeting with you as soon as possible to discuss this matter.

Yours sincerely,



Siv Jensen
Minister of Finance



Jan Tore Sanner
Minister of Local Government and
Modernisation

Copy: President Mrs. Oda Sletnes,
EFTA Surveillance Authority