



European Commission

Competition

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Strategy for future State aid control

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Why do we control State aid?

- Prevent distortions of Common market
 - Avoid subsidy race
 - Preserve level playing field
 - Framework for pursuit of common interest objectives
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- Competition leads to competitiveness
 - Supportive role in liberalisation
 - Assist with cohesion policy , R&D&I and public service objectives



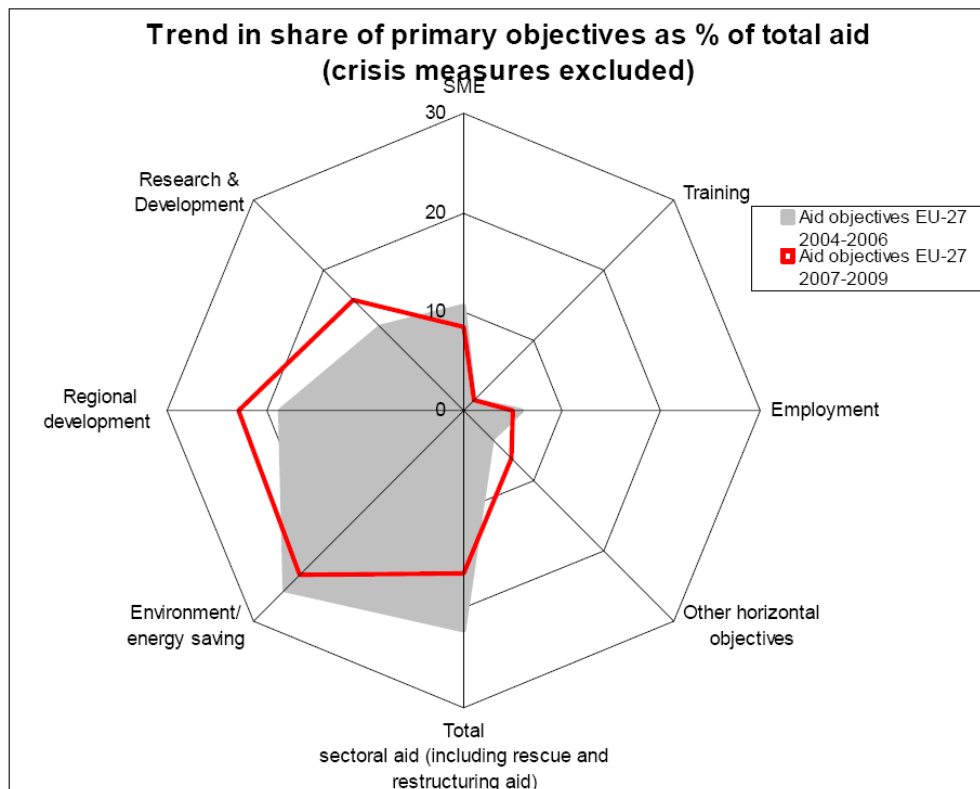
State aid for primary objectives and sectoral aid as % of total aid (2009)

	Total of horizontal objectives	Environment	Regional development	Research and development	SME	Training	Employment aid	Other horizontal objectives (e.g. culture, natural disaster, social aid, etc.)	Total Sectoral Aid	Coal	Financial Services	Manufacturing Sectors	Other Non Manufacturing Sectors	Other Services
EU-27	83.8	22.6	23.9	17.6	6.9	1.6	4.2	6.9	16.2	4.7	2.2	6.1	2.3	0.8
EU-15	84.6	23.7	23.4	18.2	7.4	1.5	3.3	7.0	15.4	4.7	2.4	6.1	1.5	0.8
EU-12	75.8	10.5	29.7	10.6	1.5	3.3	14.0	6.3	24.2	4.3	0.3	6.6	11.9	1.1
Germany	86.4	37.1	24.3	14.6	6.0	1.0	0.0	3.4	13.6	11.4	0.0	2.2	0.0	0.0
Spain	80.0	16.7	25.2	27.5	3.8	2.5	1.3	2.9	20.0	15.5	0.0	4.2	0.0	0.2
France	78.7	2.8	35.2	18.5	6.8	0.8	0.2	14.3	21.3	0.0	0.0	20.4	0.1	0.8
Italy	84.2	3.9	21.1	21.2	23.8	4.3	4.6	5.5	15.8	0.0	0.0	0.7	11.4	3.7
Netherlands	99.3	62.1	0.7	27.9	4.3	0.0	0.0	4.2	0.7	0.0	0.3	0.4	0.0	0.0
Poland	71.0	14.2	22.9	1.5	0.1	4.3	28.0	0.1	29.0	3.9	0.0	1.6	21.9	1.6
United Kingdom	91.4	36.2	5.8	21.2	8.1	1.7	0.3	18.1	8.6	0.0	0.0	0.1	7.4	1.0

Source: State Aid Scoreboard – Autumn 2010 Update



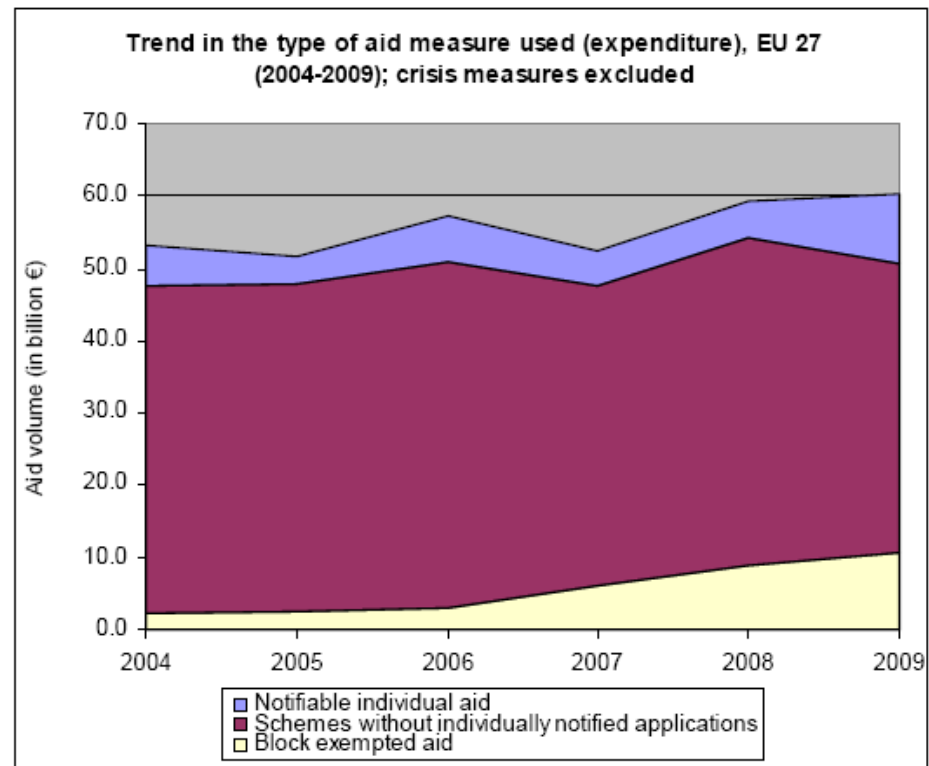
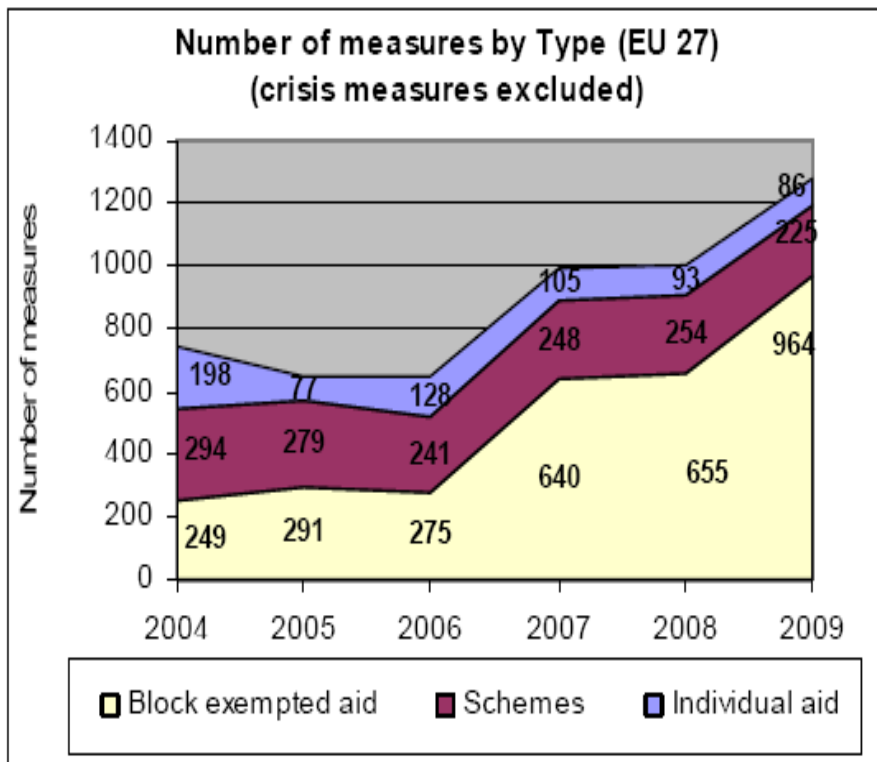
Trend in share of primary objectives



Source: State Aid Scoreboard – Autumn 2010 Update
Note: Data cover industry and services only



Trend by type of aid measures



Source: State Aid Scoreboard – Autumn 2010 Update



Lessons learned: SAAP

- State Aid Action Plan 2005: First step in modernizing State aid rules, introducing a more economic approach
- Key outcomes:
 - Balancing test
 - Virtually all guidelines were renewed over 2005-2008
 - Simplification package



Lessons learned: 'balancing test'

- Delivered: 3-step test:
 - *Positive effects linked to objective of EU common interest*
 - Appropriate instrument
 - Aid is necessary (incentive effect)
 - Aid is proportional
 - *Negative effects or distortions of competition and trade*
 - *Balancing the positive and negative effects*
- Important conceptual framework
- Importance of: Incentive effect and negative effects



Lessons learned: financial crisis

- Delivered: 4 Commission Communications in order to provide legal certainty to Member States and financial institutions (Article 107(3)(b) TFEU)
 - Banking Communication (guarantees)
 - Recapitalisation Communication
 - Communication on Impaired Assets
 - Restructuring Communication
- In addition, Temporary framework for State aid measures to the “real” economy to support access to finance in the financial and economic crisis
- Rapid reaction by the Commission at the beginning of the crisis
- Ongoing scrutiny
- Importance of: State aid control as a coordination tool



Lessons learned: Regulation

- Example: the energy sector
 - Energy sector enquiry (2005 – 2007)
 - Full and combined use of the Commission's powers under antitrust rules, merger and State aid control needed to maximise the impact of the Commission's enforcement action
 - Commission to pursue individual cases under competition rules and to take further action to improve the regulatory framework for energy liberalisation – EU electricity and gas markets: third legislative package
- Other sectors: network industries, postal sector...
- Importance of: Interplay between regulation and State aid control



Lessons learned

- Focus more on important cases in terms of distortions and aid that is necessary to reach a common EU objective
- Identify and be stricter on more distortive aid
- Importance of State aid as a coordination instrument, need for clear and simple rules
- More efficiency in procedures still needed;
- Capita selecta: SGEI, ETS, MEIP and fiscal aid
- Take account of regulation as a complementary tool to enforce the principles of State aid



More challenges...

- Policy and enforcement changed significantly
- 30+ different legal instruments: complexity
- Expansion to 27 Member States
- Expansion within Member States of public sector activities and size of budget
- Steep raise in complaints and notifications – not all very significant
- Timelines for cases often very long



Strategic Objective: More systematic approach to State aid with enhanced economic relevance

- **Concentrate** resources:
 - Focusing on most distortive cases to Internal market
 - Focusing on the link with the Commission's policy for growth and jobs
- **Clarify** rules:
 - Clear *ex ante* rules for “good aid” in GBER and guidelines
 - Ensuring horizontal consistency at the level of the sectors
- **Simplify** rules:
 - Business-relevant timeline for decisions
 - Streamline and further improve the procedures
- **Stronger and more targeted enforcement**
 - Complementary role to regulation
- **Strengthen relationship and collaboration** with Member States



Some priorities for the future

- Update of the Commission guidelines for rescue and restructuring of firms in difficulty, including financial institutions
 - Lessons learned during the crisis
 - Phasing out of crisis rules
- Revision of the State aid rules on the financing of the Services of General Economic Interest (SGEI)
 - Simplification of the rules for certain social and local services, putting more emphasis on efficiency for larger services
- Revision of the Regional Aid Guidelines
 - Ensuring that Member States and the Commission can pursue cohesion objectives without creating undue distortions of competition
- **Simpler, clearer, more targeted and collaborative rules and practice**



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Thank you for your attention