

State aid & covid-19: Temporary Framework

Kelly Stricklin-Coutinho

Temporary Framework (1)

- Dual nature:
 - Public health emergency
 - Global and Union impact
- Economic impact:
 - Supply shock
 - Demand shock
 - Uncertainty in investment plans
 - Liquidity constraints

Temporary Framework (2)

- Sectoral impact: health, tourism, culture, retail, transport
- Impact on SMEs and Large businesses
- Emphasis on role of State aid control in ensuring level playing field, and faster recovery if the integrity of the internal market is preserved
- Guidance on
 - what principles will be used to decide notifications
 - types of measures that are likely to be accepted

Temporary Framework (3)

Key points:

- Measures within the scope of the TF must be notified; approvals are done in days
- Need for the measure must arise from the outbreak
- Remedy must be restricted to the consequences of the outbreak

Temporary Framework: Measures (1)

Measures likely to be approved:

- Direct grants, tax advantages, limited advance payments for grants
- State guarantees for loans
- Subsidised interest rates on loans
- Guarantees and loans channelled through credit & financial institutions
- Short term export credit insurance

Temporary Framework: Measures (2)

Measures likely to be approved:

- Covid-19 R&D support
- Investment aid for covid-19 products
- Tax & social security contribution deferrals
- Wage subsidies

Note that alternatives are possible

UK measures

- Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS)
- Selective grants:
 - Retail, Hospitality & Leisure Grant Fund
 - Small Business Grant Fund

Temporary Framework: Decisions

Some examples:

- Sweden (SA.57051): loss of revenue from cancellation of cultural events
- France: loan guarantee to Renault group
- Denmark: revolving credit facility for Scandinavian airline SAS

Using Usual Principles

- Usual methods for giving permitted aid may still be used
- MEOP
- GBER
- Advantages:
 - no need to notify
 - some different reporting/monitoring obligations
- Notify under Rescue & Restructuring Guidelines (Art 107(3)(c))

Bases for permitted aid

“Shall be compatible with the internal market”

- Article 107(2)(b) - aid to make good the damage caused by exceptional occurrences

“May be” compatible with the internal market

- Article 107(3)(b) – aid to remedy a serious disturbance in the economy of a Member State

Exemptions

Exemptions include:

- De minimis exemption
- The General Block Exemption Regulation

Other principles like SGEI