MINISTRY OF INDUSTRY, BUSINESS
AND FINANCIAL AFFAIRS

08 November 2020

Danish response to the consultation on review of the Commission's Guidelines on Regional State Aid

We welcome the opportunity to share the Danish views on the review of the Regional Aid Guidelines (RAG). Please find below our general comments to the draft guidelines as well as our specific comments addressing four specific elements of the RAG., which we urge the Commission to take into consideration in the process of reviewing the RAG.

1. General comments

Denmark in general finds that the existing RAG have played and continuously play an important role in the regulation of the Single Market. State aid control in general contributes to maintaining a level playing field for undertakings in the Single Market. Hence, Denmark endorses a transparent and effective state aid control in the EU.

Since their adoption in 2014 the current RAG has in general contributed to well-designed state aid schemes and individual aid in Member States targeted at identified market failures and objectives of common interest. Hence, the state aid rules adopted in 2014 are generally fit for purpose.

Our main application of the RAG has been related to designate areas eligible for financing in the Regional aid map. This designation procedure has been well-functioning.

Denmark's main concern as regard regional aid is the admission in the RAG and other state aid rules to provide subsidies to large enterprises. Public subsidies for large enterprises – even in a- or c-regions – can potentially lead to distorting effects to competitors of smaller scale, to the Single Market and for European consumers in the very end.

2. Specific comments

Relocation – point 24 and 124:
Denmark would like to emphasize, that state aid rules in general should *not* lead to granting aid to relocation of jobs and undertakings from one Member State to another. We find that provisions to safeguard relocation effects should be included in all state aid regulations and guidelines. The clear message from the Commission must be, that there is no European value added, if state aid is used to move jobs around Europe with taxpayers' money.

Therefore, we indeed support the Commission's proposal to continue the existing safeguards against state aid for relocation purposes in the draft.

Mid-term review – point 190:
The provisions of the RAG should be simplified as much as possible in order to make the general conditions for application of the RAG clear and easy to apply. When it comes to a mid-term review of the RAG in 2024 on the basis of the statistics in 2020-2022, we fully support the potential urgent need to make adjustments in the Regional aid maps due to the unpredictability of the situation in the forthcoming years due to the economical, socially and environmentally consequences of the COVID-19-crisis. We find that this review should be carried out as early as possible.

Furthermore, in order for the RAG to be an effective tool to overcome the COVID-19 crisis, we find that the Commission should consider to increase aid intensities for regional aid to SME's for the purpose of Covid-19 related aid.

Link to the European Green Deal and A Europe fit for the digital age:

In order to be relevant and fit for new challenges, it is our view that the RAG must be adequate flexible to adapt new horizontal developments in respect to climate change, the environment and emerging digitalization in particular. We therefore fully support the efforts taken in the draft to align the guidelines with the European Green Deal objectives. We support the efforts made to ensure that Regional aid to the production of lignite and coal will not be considered to be compatible with the internal market.

Aid intensities in a-areas – point 179:

As we have already stated in our general comments, we find that subsidizing large enterprises regardless of geographical location raises concerns.

In accordance with the latest statistics,[1] we have learned that some European regions are eligible for support up to 50 pct. of regional investment aid. As long as there are no large enterprises but only SME's, we can support such high aid-intensities. However, we find that such high aid intensities for large undertakings raises concerns and risk distortion of competition.

We therefore suggest lowering the aid intensities to a minimum, e.g. 20 pct. for large enterprises in a-areas and maintain the proposed intensities for SME's.

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[1] Eurostat