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Feedback on the draft amendment on the Guidelines on regional state aid

1 INTRODUCTION

We refer to the public consultation on the European Commission's draft Communication amending the Guidelines on regional State aid and their annexes for the period 2028–2034.

The Norwegian Association of Local and Regional Authorities (KS) hereby submit its feedback. All of Norway's 357 municipalities and 15 counties are members of KS.

Regional State aid plays an important role in ensuring territorial cohesion and supporting sustainable economic activity in remote and sparsely populated areas. Maintaining stable populations also safeguards resilience and security interests in the Arctic. It is therefore essential that the revised Guidelines maintain a clear and effective framework for regional aid.

Our recommendations are:

- Maintain the current leeway for regional State aid
- Aligning the guidelines with the GBER so that undertakings in difficulty can also receive permanent regional operating aid.

This is set out in further detail below.

2 OUR RECOMMENDATIONS

2.1 Maintain the current leeway for regional State aid

KS generally supports the continuation of the main structure of the Guidelines, as proposed by the Commission. The draft maintains the overall population coverage for assisted areas, as reflected in Annex I, and preserves the possibility for Member States to grant regional operating aid in areas facing permanent disadvantages. This continuity is important for ensuring territorial cohesion and for enabling long-term planning for regional development measures.

KS also supports the Commission's intention to simplify the Guidelines by removing the category of "very sparsely populated areas", provided that this simplification does not reduce the practical flexibility for Member States. In particular, it is important that the concept of "sparsely populated areas" continues to be interpreted in a manner that reflects real territorial conditions. Regions that fall significantly below the sparsity threshold face structural challenges that justify proportionate operating aid. KS therefore encourages the Commission to clarify that the degree of sparsity may be taken into account when designing regional operating aid schemes.

Such flexibility is essential for countries with large, remote and sparsely populated regions, including Norway, where demographic stability is closely linked to economic resilience, security considerations and the maintenance of critical infrastructure in Arctic areas.

2.2 The exemptions for undertakings in difficulty should not apply to permanent regional operating aid

The draft Guidelines maintain the general exclusion of aid to undertakings in difficulty. While this exclusion is warranted for most regional aid, it is not an appropriate exclusion for permanent regional operating aid schemes. KS strongly recommends that the guidelines are changed, so that this exclusion does not apply to permanent regional operating aid schemes.

Permanent operating aid is generally justified by permanent and/or severe regional handicaps, as stated in the Guidelines themselves (point 54). If undertakings in such regions lose access to operating aid solely because they enter temporary economic difficulty, the consequences are counterproductive. Ordinary market mechanisms should determine whether an undertaking ultimately survives. The regulatory framework should not artificially hasten closure. Artificially hastened closures, however, are precisely what may occur if well-justified permanent operating aid is removed as soon as an undertaking enters economic difficulty.

The current exclusion of undertakings in economic difficulty for permanent regional operating aid serves as a regulatory distortion of fair competition, leaving undertakings in severely disadvantaged regions more exposed than their competitors in stronger regions when a sector faces hardship.

The Norwegian regionally differentiated social security contributions adheres to the current Guidelines, and do not apply to undertakings in difficulty. The exclusion creates administrative burdens, legal uncertainty, and inconsistent outcomes for beneficiaries.

We note that the GBER exclusion for undertakings in difficulty in GBER article 1(4)(c) exempts regional operating aid schemes, allowing operating aid to continue also for beneficiaries in economic difficulty. The Guidelines on regional state aid should have an identical exemption. As well as avoiding regulatory distortions of competitions, this serves to harmonize and simplify State aid rules.

Regards,

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