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REPORT FROM THE COMMISSION

State Aid Scoreboard

Report on state aid granted by the EU Member States

- Autumn 2011 Update -

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TABLE OF CONTENTS

Summary of the Report's conclusions

In 2010, total expenditure on non-crisis aid was relatively stable in the EU when compared to the previous year. Member States' efforts continued to reduce their overall aid levels and some of them were able to substantially decrease their state aid spending. Overall, the trend over the period 2005-2010 shows a drop on the non-crisis aid expenditure.

Aid earmarked for horizontal objectives of common interest remained high while some Member States were able to further reduce aid granted for sectoral development. Aid granted under block exemption also increased when compared to previous years. Overall, the amount of aid which was granted either under block exemption or through schemes was at a high level whereas the level of individually granted aid, authorised by a Commission decision, remained at a low volume.

Activities to recover illegal state aid continued and more aid illegally granted was recovered from the beneficiaries, while some further cases were brought to court.

In 2010 the number of financial crisis support measures approved by the Commission decreased substantially compared to the two previous years. However, most of the measures approved in the past are still operational.

The amount actually used in 2010 for recapitalisation and asset relief measures is highly concentrated in few Member State while a large part of the amount used in the form of guarantees and liquidity measures is still outstanding.

In 2010, only a few new aid measures were granted under the Temporary Union Framework. The majority of aid measures were already approved in 2009 and Member States granted signicantly less aid under the Temporary Union Framework in 2010 as compared to 2009. Furthermore, the aid amount used remained significantly below the approved aid amount, mainly since the development of the economic situation was not very predictable and Member States were cautious in granting aid under the Temporary Union Framework by applying strict conditions.

The autumn 2011 update of the State Aid Scoreboard ("the Scoreboard") provides a synopsis of the information which Member States submitted this year in their annual report on state aid expenditure in 2010.

For reasons of methodology[1] and to avoid creating a distorted picture of trends in state aid expenditure, the Scoreboard distinguishes between non-crisis aid on the one hand (i.e. all aid granted under the normal EU state aid rules) and crisis aid on the other hand (i.e. all aid granted to financial instutions and the real economy under the temporary state aid measures in response to the financial and economic crisis).[2]

As regards non-crisis aid, the Scoreboard, in addition to a synopsis on expenditure in 2010, provides an overview of the trends in state aid expenditure to industry and services (comparing the period 2005-2007 with the period 2008-2010) and by type of aid measures, i.e. block exempted aid, schemes and individual measures (whether individual applications of schemes or *ad hoc* decisions).

As regards crisis aid, the Scoreboard provides an overview of amounts approved (as from 1 October 2008 until 1 October 2011) and amounts used (as from 1 October 2008 until 31 December 2010) per type of instrument (recapitalisation, guarantee, impaired assets, liquidity measures). Furthermore, the report provides information on aid granted under the Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis ("the temporary framework")[3] in the form of the approved amount of aid and the amount used. The Scoreboard also provides an update on achievements in the field of enforcement of state aid rules.

The Scoreboard consists of two parts: first a summary Report, adopted by the College of Commissioners focussing on key facts, conclusions, trends and patterns with regard to state aid granted by Member States and, secondly, a Staff Working Document, attached to the Report, "Facts and figures on state aid in the EU Member States" ("SWD"), providing the factual background.

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1 While in previous editions of the Autumn Scoreboard one figure expressed the aid volume in absolute value and in relative value (% of GDP), this year's report distinguishes between non-crisis aid, crisis aid to the financial sector and aid granted under the Temporary Community Framework and provides separate figures (in absolute and relative terms) accordingly. Read more detail on methodology in the corresponding note in the Staff Working Document accompanying this Report.

2 To calculate crisis aid, this Scoreboard, in line with the Commission's Staff Working Paper on the effects of the temporary state aid rules adopted in the context of the financial and economic crisis (http://ec.europa.eu/competition/publications/reports/temporary_stateaid_rules_en.html), uses only two concepts: the committed amount of aid and the used amount of aid. The commited amount (pledged volume of aid) respresents the overall maximum amount of state aid measures set up by Member States and approved by the Commission. The used amount of the aid expresses the actual volume of the aid measure which Member States implemented. The methodology used for calculating crisis aid is further explained in the Commission's Staff Working Paper. For all other aid, in addition to approved amounts and used amounts, Member States have, like in previous Scoreboards, also reported the aid element and total expenditure is expressed accordingly, both in absolute volume and in % of GDP, in order to present a comparable set of information.

3 Consolidated version of the Communication from the Commission – Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis ; OJ C 83, 7.4.2009, p. 1; as amended by OJ C 261, 31.10.2009, p. 1, and OJ C 303, 15.12.2009, p. 6.

It is noted that the EFTA Surveillance Authority also publishes an annual scoreboard[4] which publishes updates on the volume of state aid granted in Iceland, Liechtenstein and Norway.

State aid in the context of the economic crisis

In 2010, EU GDP grew from its negative level in 2009 towards a positive though relatively low level, below 1% on average.

In the light of the ongoing crisis situation in the financial sector, Member States continued to provide aid to banks in order to inject further confidence into the sector and enabled banks in particular to continue to provide credit to the real economy.

The economic situation of many businesses had gradually improved throughout 2010, which meant that Member States needed to grant less crisis aid to the real economy.

Overall, the Commission's state aid control policy was one of the key factors ensuring that the implementation of the unprecedented rescue measures was achieved in a coordinated manner, without creating undue competition distortion in the internal market.

1. STATE AID IN 2010

In 2010, Member States granted a total of approximately € 73.7 billion in the form of non-crisis aid, or in relative terms 0.6% of EU[5] GDP.[6] Crisis-related measures, i.e. aid granted to the financial sector through recapitalisation and impaired asset measures, amounted to € 121.3 billion (1% of EU GDP) while the overall volume of average outstanding guarantees and liquidity amounts to € 983.9 billion (8% of EU GDP). With respect to aid granted under the temporary framework, the amount used was approximately € 11.7 billion in 2010 or 0.9% of EU GDP. On 1 October 2011[7], all EU-15[8] Member States and Cyprus, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia had had financial crisis measures approved by the Commission, and all Member States except Cyprus had aid measures approved under the temporary framework.

Non-crisis aid can be further broken down into aid to industry and services, which amounted to a total of approximately € 61 billion or 0.5% of EU GDP[9] in 2010, and aid to agriculture, amounting to approximately € 10.3 billion or 0.08% of EU GDP, fisheries, approximately € 0.18 billion or 0.001% of EU GDP, and transport, at approximately € 3.2 billion or 0.02% of EU GDP.

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4 See http://www.eftasurv.int/press--publications/scoreboards/state-aid-scoreboards/

5 EU means all Member States of the EU.

6 The total covers aid to manufacturing, services, coal, agriculture, fisheries and part of the transport sector but excludes, due to the lack of comparable data, aid to the railway sector and aid for compensation for services of general economic interest. Aid amounts refer to the aid element (or gross grant equivalent in case of guarantees or loans) contained in a state aid measure unless stated otherwise (for more details see the methodological note of the SWD).

7 In order to give a complete picture on crisis aid, the whole of the period dating from the adoption of the Commission's crisis measures to a cut-off date of 1 October 2011 is used as the reference period for this part of the report.

8 EU-15 comprises Member States that joined the EU before 2004.

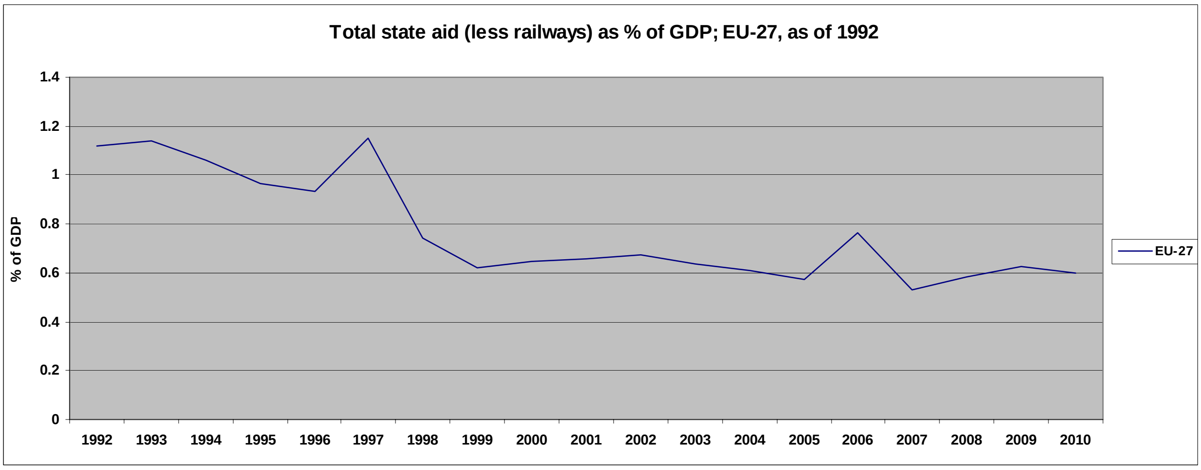
9 Coal, as part of sectoral aid and hence included in aid to industry and services, amounted to € 2.9 billion which represented 4.9% of total aid to industry and services.

Member States reported that aid to railways[10] amounted to € 27.2 billion or 0.2%[11] of EU GDP in 2010.[12]

The five largest grantors of non-crisis aid accounted for approximately € 45.7 billion, which represents roughly two-thirds of the total non-crisis aid. Germany granted a volume of approximately € 15.9 billion, or 21.6% of total non-crisis aid, followed by France (approximately € 15.4 billion or 20.8%), Spain (€ 5 billion or 6.8%), the United Kingdom (€ 4.8 billion or 6.5%) and Italy (€ 4.6 billion or 6.2%). However, a different picture is revealed when reporting on the aid volume as a percentage of GDP. Hungary granted aid representing almost 2.3% of its national GDP, Malta 1.4%, Finland 1.1%, Slovenia 1.1% and Ireland 1.0%.

2. TRENDS AND PATTERNS OF STATE AID EXPENDITURE ON NON-CRISIS AID IN THE MEMBER STATES

Figure 1[13]: Total state aid (non-crisis aid) as % of GDP (EU-27; data as of 1992)



Seen from a long-term prespective, the overall level of state aid has been on a downward trend since the 1980s. From approximately 2% of EU GDP during the 1980s, it fell to about 1% of EU GDP in the 1990s and decreased further to around 0.5% to 0.6% of EU GDP in the years 2004 – 2008, with an exceptional peak in 2006. Since 2008, the level of aid has begun to show a moderate increase and stood at approximately 0.6% of EU GDP in 2010. Concerning the reasons for the past decline in state aid expenditure, reference is made to previous Scoreboard reports.[14]

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10 While information on aid to industry and services is collected from Member States pursuant to Annex III A of Commission Regulation (EC) No 794/2004 (OJ L 140, 30.4.2004, p. 1), the information on aid to railways is collected following a different concept which hence does not allow aggregating these data in any of the totals.

11 At the moment of drafting this report, information on railway subsidies was submitted by Austria, Belgium Denmark, Estonia, Spain, Finland, France, Italy, Luxembourg, Lithuania, Latvia, Portugagl and Sweden.

12 Read more detail on aid to the transport sector in paragraph 2.3.5 of the SWD.

13 Source: DG Competition; GDP figures: Eurostat.

14 Autumn 2010 update, COM(2010) 701; Autumn 2009 update, COM (2009) 661 final. A copy can be downloaded from DG Competition's website: http://ec.europa.eu/competition/state_aid/studies_reports/archive/scoreboard_arch.html.

On a short-term view, the level of state aid expenditure has been roughly stable as from 2008, which is also suggested by the underlying trend, i.e. from about 0.062%[15] to 0.60%[16] of EU GDP. It appears to indicate that, while Member States largely maintained their state aid discipline, their response to the financial and economic crisis contributed to a slightly higher aid level with respect to non-crisis aid in 2010. Furthermore, it also shows that Member States have maintained a targeted and well balanced state aid policy as regards non-crisis related measures.

Due to the particular features associated with aid to agriculture, fisheries and transport, the following sections on levels and orientation of non-crisis aid (2.1 and 2.2) only deal with aid to industry and services.

2.1. Trend of levels of non-crisis state aid to industry and services

Crisis aid measures, which are discussed separately in chapter 3, were not taken into account when analysing aid granted to industry and services; this was in order to avoid a very distortive picture on aid expenditure to industry and services. Furthermore, the different methodology for calculating the aid amount granted to the financial institutions justified this exclusion.

The trend in aid expenditure to industry and services in the EU has shown a moderate increase in the period 2008-2010 compared to the previous period 2005-2007. On average, aid expenditure amounted to approximately € 59.9 billion or 0.49% of EU GDP, while it had stood at € 52.8 billion or 0.43% of EU GDP in the previous period. First, it shows that the financial and economic crisis has apparently had some impact on aid expenditure for non-crisis aid measures through which Member States gave more support in particular to regional development and research and development and innovation ("R&D&I"). At this stage, it would be too soon to conclude that the increase in the trend, which is first seen after aid levels have come down, is part of a long-term trend that is beginning or whether it reflects the particular situation of the financial and economic crisis during which higher aid levels could be expected for a short period.

To say that Member States have generally been able to continue their efforts to keep overall aid levels under control can be supported by the fact that 11 Member States reduced their aid levels compared to the EU trend average.[17] With respect to the other Member States for which an increase of the aid level was identified, most of the increase can be accounted for by aid earmarked under horizontal objectives, while sectoral aid decreased further in 2010.

The small downward move in state aid expenditure for industry and services, decreasing by approximately 0.01% between 2009 and 2010, can be largely explained by an increase in expenditure for regional development and other horizontal objectives. For instance, Greece, Lithuania and Romania granted more regional aid. France, Luxembourg and the UK earmarked more aid for other horizontal objectives. At this stage, however, it is too early to know whether this short-term downward move in state aid expenditure to industry and services represents the beginning of a change in the long-term trend. However, it does indicate that Member States have been able to respond flexibly to changing economic needs.

15 Period 2005-2007.
16 Period 2008-2010.
17 See figure 6 in the SWD.

Further increase of aid granted under block exemption[18] and the continuing use of schemes by Member States indicate that these tools have enabled Member States to grant aid to a large number of enterprises without further individual notifications to the Commission.

2.2. Non-crisis state aid earmarked for horizontal objectives of common interest

It is recalled that the concept of horizontal aid, which covers aid that is not granted to specific sectors of the economy, derives from the Treaty[19]; this leaves room for the Commission to make policy choices according to which state aid can be considered compatible with the internal market in order to provide effective support to common policy objectives. Most prominent is the aid earmarked for research, development and innovation ("R&D&I"), safeguarding the environment and fostering energy saving and promoting the use of renewable energies; it is followed by regional development, aid to SMEs, creation of employment and promotion of training.

In 2010, a total of approximately € 51.9 billion, or 0.42% of EU GDP, was granted in the form of aid earmarked under horizontal objectives, which represented 85% of total aid to industry and services. The three most prominent objectives, regional development (24.3% of total aid to industry and services), environmental protection (23.7%) and R&D&I (17.4%) together accounted for roughly two thirds of total aid to industry and services. This high aid volume earmarked for horizontal aid is also consistant with the general trend, which rose by approximately 2.2% between the periods 2005-2007 and 2008-2010. Moreover, in 19 Member States the aid level earmarked for horizontal objectives exceeded the EU average, while it was below 50% in only two Member States.

With respect to sectoral aid in 2010, which includes rescue and restructuring aid, the aid volume represented 15% of total aid to industry and services; it decreased further to € 9.1 billion or 0.07% of EU GDP. The main reason for this development is that less aid is being granted to the manufacturing and non-manufacturing sectors.

Overall, this long-term trend shows that Member States continued in their efforts to direct aid towards horizontal objectives of common interest.

3. STATE AID IN THE CONTEXT OF THE FINANCIAL AND ECONOMIC CRISIS

3.1. Trends in the approval and use of state aid measures for the financial sector

The turmoil in the financial markets which was triggered by the financial crisis in 2008 called for broad-based intervention by European governments in order to curb the adverse effects of the shock. State aid to financial institutions was crucial as a means of restoring confidence in the financial sector with the aim of avoiding a systemic crisis.

In the period between 1 October 2008[20] and 1 October 2011, the Commission approved aid to the financial sector for an overall amount of € 4506.5 billion (36.7% of EU GDP). The bulk of the aid was authorised in 2008, when € 3457 billion (27.7% of EU GDP) were approved,

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18 Read more detail in chapter 4.

19 For instance, Article 107(3)(a) with respect to regional aid, Article 107(3)(b) as to the execution of an important project of common European interest.

20 2008 figures contain the budget approved for the recapitalisation of Northern Rock in 2007.

mainly under the form of guarantees on banks' bonds and short-term liabilities. Since 2008 the number of State interventions submitted to the Commission's approval gradually decreased, while as far as the instruments were concerned, the aid approved after 2008 focused more on recapitalisation of banks and impaired asset relief than on guarantees.

In the period 2008-2010[21], the volume of aid actually used by Member States stood at € 1608 billion[22], accounting for 13.1 % of EU GDP. Guarantees and liquidity measures account for € 1199 billion or 9.8 % of EU GDP. The remainder of the aid used refers to recapitalisation and impaired assets measures which amount to € 409 billion (3.3% of EU GDP).

Financial Crisis Aid approved/used in 2010

In 2010, the Commission authorised aid for an overall amount of € 383.8 billion, representing 3.1% of EU GDP. The new aid approved is concentrated in a few countries and involves recapitalisation of € 183.9 billion, guarantees for € 55.4 billion, impaired assets relief for € 77.9 billion and liquidity measures for € 66.7 billion.

The overall volume of aid used in 2010 for recapitalisation and impaired assets stood at € 121.3 billion (1% of EU GDP). New capital injections accounted for € 87.8 billion (0.7% of EU GDP) while impaired asset relief measures accounted for € 33.6 billion (0.3% of EU GDP). With regards to guarantees and liquidity measures the average outstanding amount for the year 2010 stood at 983.9 billion (8% of GDP) of which € 922 billion (7.5% of EU GDP) relates to guarantees while € 61.9 billion (0.5% of EU GDP) relates to liquidity measures.

3.2. Approved amounts and amounts used under the temporary framework

Context and scope

On 17 December 2008, in response to the tightening of access to credit which companies faced as a result of the financial crisis, the Commission adopted the temporary framework. It placed the focus on, first, maintaining continuity in companies' access to finance and, second, preparing the ground for sustainable long-term growth by encouraging investments. Furthermore, some of the rules of the existing guidelines were simplified, for example by introducing higher ceilings for risk capital investments. The temporary framework is open to support all sectors of the economy, but excludes aid that would remedy pre-existing structural problems and hence does not apply to companies that were in difficulty before the crisis.

The temporary framework is to be seen as part of a wider Commission response to the economic crisis, namely the European Economic Recovery Plan.[23]

In the light of the high volatility of the financial markets, coupled with uncertainty about the economic outlook, the Commission decided at the end of 2010 to prolong certain measures set out in the temporary framework for one year, while phasing-out the possibility to grant a limited compatible aid amount of € 500,000 per company and tightening the conditions on which Member States can grant aid under the temporary framework.[24]

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[21] 2008 figures contain the budget used for the recapitalisation of Northern Rock in 2007.
[22] Including new aid as well as average outstanding amounts.
[23] Adopted in November 2008.
[24] Communication of the Commission – Temporary Union framework for State aid measures to support access to finance in the current financial and economic crisis; OJ C 6, 11.1.2011, p.5.

Measures approved under the temporary framework

In 2010, the Commission authorised 6 new schemes and one new *ad hoc* aid measure, and prolonged 10 schemes under the temporary framework[25], which amounted to a total approved volume of aid of € 1.6 billion (0.01% of EU GDP). It concerned one scheme for aid up to € 500,000 per company (1 Member State), 1 subsidised guarantee scheme (1 Member State), 1 risk capital scheme (1 Member State) and 3 Member States facilitated export activities through 3 export credit schemes. Furthermore, 10 new aid measures were granted under the temporary framework to farmers. With respect to the prolonged schemes, it concerned 3 schemes (3 Member States), 2 subsidised guarantee measures (2 Member States), 2 schemes for subsidised loan interests (2 Member States) and 3 schemes facilitating export activities.

Since the entry into force of the temporary framework, the total approved volume which the Commission authorised under its provisions amounted to approximately € 82.9 billion.[26]

Aid amount used in 2010

In 2010, the aid amount used under the temporary framework stood at approximately € 11.8 billion, or 0.09% of EU GDP.

Most Member States preferred to use the tool of the limited aid amount (roughly € 5.3 billion), followed by the subsidised guarantees (€ 2.9 billion), subsidised interest rate loans (€ 2.7 billion) and risk capital aid (€ 0.77 billion). Subsidised interest rate loans for the production of green products were not used.

The total amount of aid used under the temporary framework since it entered into force is about € 32.8 billion.

For more detail on aid granted under the temporary framework, see chapter 3.2 of the SWD.

4. TRENDS OF STATE AID EXPENDITURE BY TYPE OF AID MEASURES

4.1. Number of aid measures

In 2010, the number of new block exempted aid measures introduced by Member States dropped significantly by almost half compared to 2009. However, the proportion of aid granted through block exemption schemes and individual aid has remained stable. The main reason for the falling numbers is the fact that Member States created new aid measures under the General Block Exemption Regulation ("GBER"), which entered into force in September 2008, and largely replaced existing aid measures which were part of the phasing-out of the previous block exemption regulations for employment aid, training aid and aid to SMEs and partly also regional aid. National budget restrictions in 2010 may have been a further factor in the reluctance of the Member States to create new aid measures under the block exemption.

25 Read more detail in chapter 3.2 of the SWD.

26 Cut-off date is 1 October 2011.

4.2. Aid volumes - around 21% of aid to industry and services is block exempted

Block exempted aid increased further by about € 1 billion to stand at approximately € 12.6 billion, or 0.1% of EU GDP, accounting for 21% of total aid to industry and services in 2010. The main contributors to the increase in block exempted aid in 2010 were regional aid, R&D&I and employment aid, while block exempted aid earmarked for SMEs and training were decreasing, but not compensating for the total increase in block exempted aid. It is recalled that Member States continued to phase out aid measures previously granted under the sectoral block exemption regulations and replaced them by corresponding GBER measures, whereby the new scope of the measure was often extended as now permitted under the GBER rules.

5. ENFORCING THE STATE AID RULES

Unlawful aid[27]

In the period 2000-2010, the Commission took 980 decisions on unlawful aid. In about 22% of unlawful aid cases[28] the Commission intervened by taking a negative decision on an incompatible aid measure. Such negative decisions normally order the Member State concerned to recover the illegally awarded aid. In a further 3% of unlawful aid cases[29], the Commission attached conditions to the decisions. This intervention rate of about 25% for unlawful aid is roughly ten times higher than the rate of negative and conditional decisions in duly notified cases. More than half of the interventions were in the industry and services sector, slightly less than one quarter were in agriculture and the remainder in fisheries, transport and coal.

Recovery of aid

Further progress has been made towards the executing pending recovery decisions. The total number of pending recovery cases stood at 55 cases (compared to 94 cases at the end of 2004). The amount of illegal and incompatible aid recovered since 2000 has further increased and amounted to more than € 11.5 billion on 30 June 2011. This means that the percentage of illegal and incompatible aid still to be recovered has fallen from 75% at the end of 2004 to around 18.6% on 30 June 2011.

Enforcement of State Aid Law: Cooperation with national courts

In the follow-up to the Notice on the Enforcement of State Aid Law by National Courts of 2009[30], advocacy efforts have intensified: an information package was published on

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27 Article 108(3) TFEU obliges Member States not only to notify state aid measures to the Commission before their implementation but also to await the outcome of the Commission's investigation before implementing notified measures. When either of these obligations is not respected, the state aid measure is considered to be unlawful.

28 217 cases.

29 31 cases.

30 Commission Notice on the enforcement of State aid law by National courts (OJ 85, 9.4.2009, p. 1)

DG Competition's website[31] and a booklet[32] to assist judges in their daily work was widely distributed. Specific training for national judges has also been organised.[33]

Ex-post monitoring

With the entry into force of the GBER, an even larger number of aid measures are no longer subject to the notification obligation. The results showed that, overall, the part of the existing State aid architecture allowing the approval of aid schemes and enabling Member States to implement aid measures under the GBER and BERs still functions reasonably well. However, a number of individual and horizontal issues were identified which need to be followed up with Member States.

31 http://ec.europa.eu/competition/court/state_aid.html

32 http://ec.europa.eu/competition/publications/state_aid/national_courts_booklet_en.pdf

33 Through the contact point, ec-amicus-state-aid@ec.europa.eu several requests for information and opinion by national judges have been dealt with.

ANNEX

Commission Staff Working Document "Facts and figures on state aid in the EU Member States"