

European & External Affairs Committee

EUR2 06-05 (p4)

Date: 7 July 2005

Time: 09:30 - 12.00

Venue: Glyndwr Suite - Bryn Howel Hotel, Llangollen

Title: State Aid Road Map

Purpose

Both EDT and EEA Committees are being asked to consider and comment on the European Commission consultation document "State Aid Action plan". The European Commission have asked for comments by 15 September 2005 and EEAD2 will work closely with colleagues in DTI on the consultation process.

Summary

The State Aid Action Plan "Less and better targeted state aid: a roadmap for state aid reform 2005-09" is a consultation document outlining the work programme in the field of state aid policy for the next 5 years. The action plan is not a legislative document and does not have a direct or immediate impact on state aid rules or on stakeholders. Its purpose is to launch a process of comprehensive and consistent reform and modernisation of state aid policy.

The Commission, in partnership with Member States and stakeholders, recognise that state aid rules now need reform to better contribute to sustainable growth, competitiveness, social and regional cohesion and environmental protection. The reform is fundamentally about balancing the negative effects of aid on competition with its positive effects in terms of protecting the common interest. The enlargement of the EU in 2004 underlines the need for adaptations of state aid policy and for better governance to ensure an effective control in the enlarged Union. This includes a need to strengthen the commitment of Member States to their obligation to enforce state aid rules.

Background

The aim is to present a comprehensive and consistent reform package based on the following elements:

- less and better targeted state aid
- a refined economic approach

- more effective procedures, better enforcement, higher predictability and enhance transparency
- a shared responsibility between the Commission and Member States to notify any envisaged aid and to enforce the rules properly

The key priorities will be:

- Targeting innovation and R&D to strengthen the knowledge society. In 2005 the Commission will adopt a Communication on state aid and innovation aimed at fostering innovation in the EU and modify the Community Framework for R&D to provide the right incentives for industry to invest more in R&D
- Creating a better business climate and stimulating entrepreneurship including a review of the Communication on risk capital aimed at stimulating investment
- High quality Services of General Economic Interest (SGEI) that do not lead to overcompensation and undue distortions of competition
- Better prioritization through simplification and consolidation. The Commission will issue a general block exemption regulation which will exempt certain categories of aid from the obligation to notify the Commission. This will involve simplifying and consolidating the existing block exemptions (training, SME and employment) and integrating a broader range of exemptions including aid to support SMEs and R&D
- Review the Commission's Community guidelines on regional aid (RAG) and integrating the Multisectoral Framework on regional aid for large investment projects into the guidelines. This will include additional possibilities for granting aid for horizontal purposes. Economic Policy Division are advising on this review.
- Encouraging an environmentally sustainable future. The Community guidelines on state aid for environmental protection are applicable until 2007 but in 2005 the Commission will start reflecting on ways and means to better address the challenges and opportunities that sustainable development creates
- Setting up modern transport and energy infrastructure including ensuring state aid rules are clear for the assessment of public resources involved in Public Private Partnerships

Financial Implications

There are no financial implications at the moment from this consultation process.

Action for the two Committees

7. Comments are invited on this consultation document. Members will also wish to note in taking forward the mergers of the ASPBs with the Assembly Government it has been recognised that there is merit in strengthening our capacity for dealing with State Aid issues. A common State Aids Unit is

being established to provide greater expertise in this important area. The post of Head of Unit has been advertised with interviews taking place this month.

First Minister 7 July

Andrew Davies/Tamsin Dunwoody-kneafsey 14 July