



ROYAL NORWEGIAN MINISTRY OF GOVERNMENT
ADMINISTRATION, REFORM AND CHURCH AFFAIRS

European Commission
Directorate-General for Competition
State Aid Registry
1049 Brussels
Belgium

Your reference
Revision of the state aid guidelines on national
regional aid

Our reference
10/4290

Date
23 May 2011

**Revision of the state aid guidelines on national regional aid: Norway's
preliminary views for the Commission**

Reference is made to the Commission's workshop 8-9 March 2011, where the Member States were invited to elaborate on their experiences with the current guidelines and their views on the upcoming revision of the guidelines.

The Norwegian Ministry of Government administration, Reform and Church affairs has the overall responsibility for the sector crossing instruments in the government's competition policy, and is the coordinator of comments from central administrations in state aid regulatory processes at the European Commission and the EFTA Surveillance Authority.

Please find enclosed the Norwegian Government's preliminary views on the current guidelines on national regional aid and the upcoming revision of the guidelines.

Yours sincerely,

Monica Wroldsen
Deputy Director General

Carsten Borgersrud Nielsen
Higher Executive Officer

Postal address	Office address	Telephone	Department of Competition	Our officer
PO Box 8004 Dep	Akersg. 59	+47 22 24 90 90	Policy	Carsten Borgersrud
N-0030 OSLO		Vat no.	Telefax	Nielsen
				+47 22244623
postmottak@fad.dep.no		972 417 785	+47 22 24 27 23	cbn@fad.dep.no

Revision of the state aid guidelines on national regional aid: Norway's preliminary views for the Commission

Reference is made to the Commission's workshop 8-9 March 2011, Norway appreciates this opportunity to provide early feedback on experiences with respect to the current guidelines and input for the upcoming revision.

General comments

Regional policy is of high importance for maintaining equal living conditions throughout Norway. Recalling the Commission's state aid action plan, and the objective of *less and more targeted aid*, an objective shared by the Norwegian authorities, we think the current guidelines balance the objectives of promoting regional development while avoiding distortions to competition *and* wasteful misallocation of scarce budgetary resources. We believe that this balance should be carried over in the upcoming revision process.

We have noted with special attention that the particular problems of the northernmost regions with very low population density and island, cross border, and mountain regions have been acknowledged in article 174 of the Treaty on the European Union. According to the Nordregio report¹ *Mountain areas in Europe*, 93 % of the Norwegian territory is covered by mountain areas, areas which contain 63% of the population. Several of the mountainous regions have very low population density if considered at NUTS level IV or NUTS level V.

The Norwegian authorities note that the regional aid guidelines are not the only ones expiring 31.12.2013. It is important to synchronise the preparation of guidelines on regional aid with the amendment of the General Block Exemption Regulation (800/2008), as well as other guidelines that expire 31.12.2013.

Selection of eligible regions

As stated in the workshop 8-9 March, Norway places great importance on the maintenance of the low population density regions as eligible for regional aid. At the same time, it is important to note that the current mechanism in the guidelines allowing for a certain flexibility in designating the eligible areas, permits national authorities to target aid to regions suffering from peripheral location, low population density and other natural handicaps without increasing the total population coverage.

Norwegian NUTS III regions are very heterogeneous. Some regions in central parts of the counties have high population density and are performing well as measured by economic activity, while most parts of the same counties have low population density and are struggling with depopulation. This applies both to counties with population

¹ No 2002.CE.16.0.AT.136

densities below and above 12,5 inhabitants per km². Thus, a regional aid map based strictly on NUTS level III would not reflect the situation in Norway as regards regional challenges related to sparse population, climatic conditions and economic disadvantages.

Levels of aid

In the opinion of the Norwegian authorities, the current maximum aid intensities, including adjustments and additional requirements for large investment projects function well.

Operating aid

The existing guidelines permit operating aid intended to prevent or reduce depopulation in the least populated regions and to offset additional transport costs in low populated regions. Operating aid designed to prevent and reduce depopulation is of high importance for Norway. The Norwegian authorities think that the operating aid rules for these areas should remain in the future guidelines.

A main objective of Norwegian regional policy is to promote a balanced demographic development. Parts of Norway, and some parts of the other Nordic countries, are characterised by very low population density, long distances and a harsh climate. Depopulation due to the lack of employment opportunities is a problem in many of these areas. The low population density makes these areas more vulnerable to any negative population trend. The Norwegian government puts strong emphasis on preventing and reducing depopulation in these areas.

To the extent that lack of employment opportunities is not only due to lack of capital for profitable investment projects, subsidies directly aimed at stimulating employment may be the most efficient aid measure to prevent depopulation. The Norwegian system with regionally differentiated social security contributions is designed to promote employment and settlement in these areas. The lower rate is directly linked to the gross salary payments of persons employed in these regions. The fixed and objective criteria and the automatic nature of the scheme minimise distortion and exclude any use of discretion by the granting authority.

We would like to emphasise the need for a high degree of stability and predictability for such operating aid schemes to function well. Provided that the measure is expected to be maintained over time, employers will take the fixed lower tax rate on labour costs into account when deciding on the regional location of their activity and the method of production (i.e. capital/labour ratio). This economic incentive would be weakened by less stable and predictable schemes.

Conclusion

In the view of the Norwegian authorities, the existing guidelines provide a good mix of different forms of aid that can be employed for different strategies within regional policy. Regional investment aid is important as a means to promote renewal and

establishment of undertakings in assisted areas and operating aid is an important economic incentive for employment in the least populated areas to prevent or reduce population decline.