European Commission - Statement

State aid: Commission will phase out State aid COVID Temporary Framework

Brussels, 12 May 2022

The European Commission will phase out the State aid COVID Temporary Framework, adopted on 19 March 2020 and last amended on 18 November 2021, enabling Member States to remedy a serious disturbance in the economy in the context of the coronavirus pandemic. The State aid COVID Temporary Framework will not be extended beyond the current expiry date, which is 30 June 2022 for most of the tools provided. The existing phase-out and transition plan will not change, including the possibility for Member States to provide specific investment and solvency support measures until 31 December 2022 and 31 December 2023 respectively, as already announced in November last year.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"Since the very beginning of the pandemic, the State aid COVID Temporary Framework has enabled Member States to provide timely, targeted and proportionate support to businesses in need, while preserving the level playing field in the Single Market and maintaining horizontal conditions applicable to everyone.*

It has allowed Member States to act quickly and effectively to help companies hit by the crisis, while ensuring that support remained limited to those in actual need.

*As of today, the Commission adopted more than 1300 decisions in the context of the coronavirus pandemic, approving nearly 950 national measures for an estimate total State aid amount approved of nearly €3.2 trillion *. All aid approved to date has been necessary and proportionate. Of course one thing is the amount of aid notified by Member States and approved by the Commission, and another thing is the aid actually spent. Based on data provided by Member States, in the period between mid-March 2020 and end of June 2021, of the over €3 trillion in aid approved during that period, around €730 billion euros was actually spent.*

What is most important is that, through the Temporary Framework, the Commission has designed a set of horizontal rules in a fashion that respected the diversity of options preferred by the Member States to support their economies. Through this Framework, support has been provided to businesses of all sizes and potentially from all sectors of the economy, including small and medium-sized enterprises, airlines and farmers, as well as COVID-related research and event organizers, among many others.

Today, after over two years, we are finally seeing an overall improvement of the sanitary crisis in Europe, with numbers of COVID-19 infections under control and a relatively high vaccination rate. With the progressive lifting of restrictive measures, the European economy has started taking the first steps towards recovery from the sanitary crisis. As the Commission has stated in its Communication on the next steps in response to the COVID-19 pandemic: this relaxation of rules is a great relief also for our economies – but does not mean that we should not continue to stay vigilant.

The improving economic situation in view of the relaxation of restrictions is the main reason why we have decided not to prolong the State aid COVID Temporary Framework beyond 30 June 2022, with the exception of investment and solvency support measures, that will be in place until 31 December 2022 and 31 December 2023 respectively, as already provided for in the current rules. These two tools are indeed very important to kick-start the economy and crowd-in private investment for a faster, greener and more digital recovery and should therefore remain at the disposal of the Member States for longer than the other measures.

Let me also underline that the phase-out will be progressive and coordinated, and that affected businesses will not be cut off suddenly from necessary support. The State aid COVID Temporary Framework already provides for a flexible transition, in particular for the conversion and restructuring options of debt instruments (e.g. guarantees, loans, repayable advances) into other forms of aid, such as direct grants, until 30 June 2023, under clear safeguards. We stand ready to provide all the necessary guidance and support to the Member States during the phase-out. Finally, the Commission will continue to closely monitor future developments and will act fast again if the need arises.

While we all look forward to leaving behind us this disruptive pandemic, we are also well aware that the war in Europe is overshadowing the positive signals of recovery. Ukrainians are paying the highest cost for Russia's senseless and unlawful war of aggression against their country. At the same time, this is creating a disturbance in the European economy and having a severe impact on recovery. While we continue to coordinate efforts to further support Ukraine and its people and to impose severe sanctions on the Russian Federation for this cruel and ruthless war, we are also acting to mitigate the economic impact of this geopolitical crisis on severely affected companies and sectors. Every crisis is however different and requires targeted tools.

This is why the Commission adopted a Temporary Crisis Framework providing Member States with the right toolbox to address the consequences of the current geopolitical crisis, making sure that the right level of support remains available to severely impacted companies and sectors. It will be in place until 31 December 2022 and the Commission will assess before that date if it needs to be extended, while keeping the content and scope of the Framework under review in the light of developments regarding the energy markets, other input markets and the general economic situation.

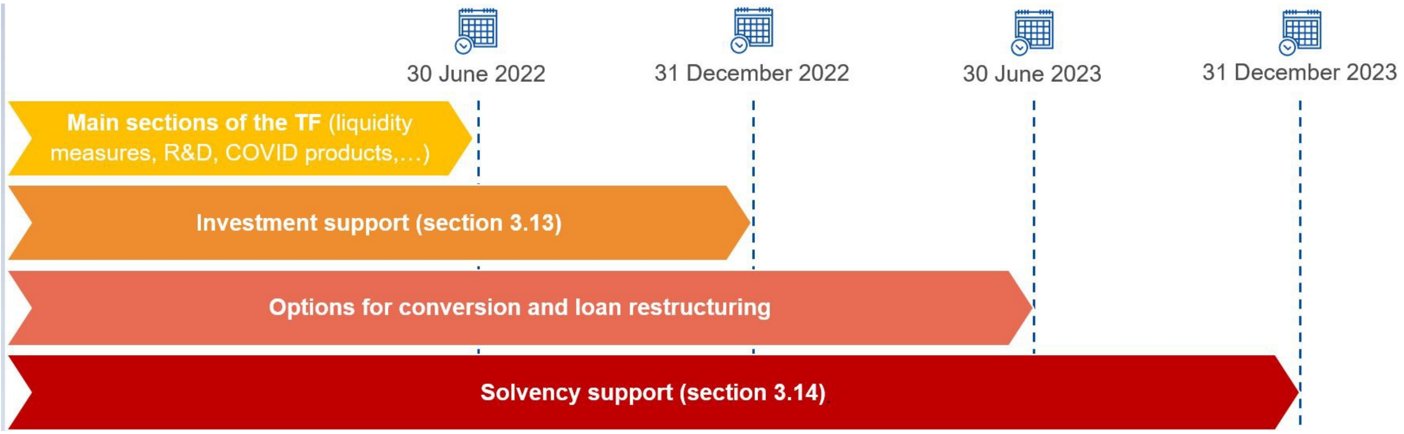
In addition, under existing EU State aid rules there are many other possibilities constantly available to Member States, such as measures providing compensation to companies for damages directly suffered due to exceptional circumstances or measures helping companies cope with liquidity shortages and needing urgent rescue aid.

Possibilities that, alongside the new Temporary Crisis Framework, will of course remain available to Member States also after the phase-out of the State aid COVID Temporary Framework."

Background

The State aid COVID Temporary Framework was adopted on 19 March 2020 and first amended on 3 April 2020 to increase possibilities for public support to research, testing and production of products relevant to fight the coronavirus outbreak, to protect jobs and to further support the economy. On 8 May 2020, the Commission adopted a second amendment extending the scope of the COVID Temporary Framework to recapitalisation and subordinated debt measures. On 29 June 2020, the Commission adopted a third amendment extending the scope of the COVID Temporary Framework to further support micro, small and start-up companies and incentivise private investments. On 13 October 2020, the Commission prolonged the COVID Temporary Framework until 30 June 2021 (with the exception of recapitalisation measures that could be granted until 30 September 2021) and enabled Member States to cover part of the uncovered fixed costs of companies affected by the crisis. On 28 January 2021, the Commission adopted a fifth amendment expanding the scope of the COVID Temporary Framework by increasing the ceilings set out in it and by allowing, until the end of 2022, the conversion of certain repayable instruments into direct grants. On 18 November 2021, the Commission prolonged the COVID Temporary Framework until 30 June 2022 and introduced two new measures to create direct incentives for forward-looking private investment and solvency support measures, for an additional limited period.

Member States can use all elements of the Temporary Framework until 30 June 2022. After this date, Member States may still convert loans into limited amounts of aid in the form of direct grants, applying the conditions of the Temporary Framework and if provided for in their national schemes. Such a conversion may be used under strict conditions to write off loans or parts of them to the benefit of borrowers that are not in a position to repay. Equally, Member States may also have in place schemes that allow to restructure loans, for example extending their duration or lowering applicable interest rates, within specific limits. Furthermore, investment support towards a sustainable recovery, will be possible until 31 December 2022, and solvency support until 31 December 2023.



For more information

Link to non-paper: Liquidity support and other possibilities to support undertakings under the COVID-19 Temporary Framework beyond 30 June 2022

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