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[The information in square brackets is covered by the obligation of professional secrecy]

EFTA SURVEILLANCE AUTHORITY DECISION

of 27 June 2017

not to raise objections to individual aid in favour of Ranheim Energi AS for the construction of an incineration plant in Ranheim

(Norway)

The EFTA Surveillance Authority (“the Authority”),

Having regard to the Agreement on the European Economic Area (“the EEA Agreement”), in particular to Articles 61(3)(c) and Protocol 26 to the EEA Agreement,

Having regard to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice (“the Surveillance and Court Agreement”), in particular to Article 24,

Having regard to Protocol 3 to the Surveillance and Court Agreement (“Protocol 3”), in particular to Article 1(3) of Part I and Article 4(3) of Part II,

Whereas:

I. FACTS

1 Procedure

- (1) Following pre-notification contacts, the Norwegian authorities notified an individual aid measure in favour of Ranheim Energi AS (“Ranheim Energi”), pursuant to Article 1(3) of Part I of Protocol 3, by letter received and registered by the Authority on 20 June 2017.

2 Description of the notified measure

2.1 The notified aid measure

- (2) The notification concerns individual state aid in the form of a grant of NOK 172 million to Ranheim Energi for the construction of an incineration plant in Ranheim, in Trondheim municipality, Norway (“the notified measure”). The objective of the aid is to support an investment in renewable energy production.

2.2 The beneficiary

- (3) Ranheim Energi is a newly established energy production company. Ranheim Energi is 59% owned by Pemco Energi Holding AS and the latter is in turn owned by Pemco Holding AS, a Norwegian private investment company. Pemco Holding AS is controlled by the founder of the company, Bjørn Knappskog and his family. The remaining 41% of Ranheim Energi is owned by EKS, a Norwegian private investment company owned by Even Ketil Stave.
- (4) Ranheim Energi is established for the purpose of producing renewable energy to be delivered to Ranheim Paper Board AS ("RPBAS"). RPBAS is a Norwegian paper and packaging supplier, based in Trondheim, Norway. According to the Norwegian authorities, RPBAS is a part of the Pemco group. According to the Norwegian authorities, Ranheim Energi is a large enterprise.¹
- (5) The Norwegian authorities confirm that neither the beneficiary nor the group companies are subject to an outstanding recovery order and are not firms in difficulty as defined by the applicable Guidelines on state aid for rescuing and restructuring firms in difficulty².

2.3 The aid granting authority

- (6) The aid is granted by Enova SF ("Enova"). Enova is a state enterprise fully owned by the Norwegian state via the Ministry of Petroleum and Energy. Enova was established on 1 January 2002 with the purpose of managing the Energy Fund and administering several Norwegian support programmes aimed at promoting the use of energy-efficient technologies.³

2.4 Legal basis, budget, form of aid, and duration

- (7) The notified measure constitutes an individually notifiable measure in the application of the aid scheme approved by the Authority in its Decision No 248/11/COL.⁴ More precisely, the aid is granted under the "Energy measures in the industry" programme. The funds used by Enova to finance the notified measure under the "Energy measures in the industry" programme are received in turn from a sub-programme of the Energy Fund (the Renewable energy production programme, "REPP"). Projects aided under REPP include investments in renewable energy production that involve production of biogas, local heating and electricity.⁵
- (8) The Authority declared in its Decision No 248/11/COL the Energy Fund scheme, including the REPP, compatible with the EEA Agreement under the guidelines on state aid for environmental protection ("EAG").⁶ However, the measure is notified as individual aid under the guidelines on state aid for environmental protection and energy 2014–2020

¹ Ranheim Energi is hence not an undertaking that fulfils the conditions laid down in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises. OJ L 124/36, 20.5.2003. The Authority Guidelines on Aid to Micro, small and medium-sized enterprises, adopted by Decision 94/06/COL, incorporates the definition set out in the Commission Recommendation.

² Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty. OJ L 271, 16.10.2015, p.35 and EEA supplement No 62.

³ See for instance the Authority's decision No 248/11/COL of 18 July 2011 on the Norwegian Energy Fund scheme (OJ C 314, 27.10.2011, p.4).

⁴ *Ibid.*

⁵ *Ibid.*, paragraph 61 - 66.

⁶ OJ L 144, 10.6.2010, p.1 and EEA Supplement No 29, 10.6.2010, p. 1.

(“EEAG”).⁷ The compatibility assessment of the notified measure under the EEAG is further explained in paragraphs (46) and (47).

- (9) Enova approved the project in its board meeting on 29 September 2016. According to the Norwegian authorities, the planned project period is from 2017 until 2019 and the implementation of the project has not started. Furthermore, the aid award is conditioned on the Authority's approval and no payments will be made before that. The Norwegian authorities have explained that the procedure for selecting the beneficiary is in line with section 6 of part I of the Authority's Decision No 248/11/COL.
- (10) The notified aid measure consists of a direct grant in the nominal amount of NOK 172 million. The project is financed by means of a grant, a capital injection by Ranheim Energy's shareholders and a loan from a commercial bank.

2.5 The new incineration plant in Ranheim

- (11) The notified measure consists of building a 30MW incineration plant with two combustion lines of 2 x 15 MW in total. The plant can use wood chips from demolition waste, Refuse-derived Fuels (RDF)⁸, demolition waste and “reject”⁹ from RPBAS.
- (12) The Norwegian authorities explain that the aim of the notified measure is to incentivise the production of energy from renewable sources in Norway. According to Norway's estimates, the notified measure will result in a renewable energy production of 200 GWh thermal energy per year.
- (13) RPBAS currently uses a mix of electricity, gas and oil for its industrial operations. Ranheim Energi will deliver 150 GWh of energy per year as process steam to RPBAS.
- (14) In addition, Ranheim Energi has entered into an agreement with Statkraft Varme AS (Statkraft Varme), concerning the delivery of heat to the district heating network in Trondheim. Statkraft Varme is a district heating provider active in Norway and Sweden. Statkraft Varme is a part of the Statkraft group, a Norwegian state owned energy company. Statkraft Varme holds a concession for district heating production and distribution in the Trondheim area. Statkraft Varme currently relies on fossil fuels for its district heating system, including during peak load in wintertime. Ranheim Energi would deliver annually 50 GWh of energy to Statkraft Varme for the district heating system.
- (15) Thus, the notified measure allows replacing RPBAS's energy demand, currently produced by the combination of electricity, oil and gas, with renewable energy. It also allows Statkraft Varme to substitute its use of fossil fuels for peak load in wintertime.

2.6 Proportionality

2.6.1 Eligible costs and aid intensity

- (16) The total investment costs of the aided project are NOK 428.1 million, divided as follows:

	Investment, MNOK	Share
Construction and infrastructure	[...]	[...] %

⁷ Guidelines on state aid for environmental protection and energy 2014-2020 (“EEAG”). OJ L 131, 28.5.2015, p. 1 and EEA supplement to the OJ No 30, 28.5.2015, p.1.

⁸ RDF used in the project is sorted industrial waste and consist mainly of sorted wood, cardboard and paper, and some plastics and textiles.

⁹ “Reject” is combustible waste product from recycled paper and consist mainly of waste paper, plastic and labels.

Weiss Turnkey	[...]	[...] %
Specified machines and equipment	[...]	[...] %
Project management	[...]	[...] %
Total investment costs	428,1	100 %

Table 1. Total investment costs (nominal).

- (17) The Norwegian authorities consider that a credible counterfactual scenario is not to invest in a plant producing energy from renewable sources. Instead, RPBAS's existing heat plant would have to be upgraded and the environmental benefits of the aided project would not be realised. The Norwegian authorities estimate the investment costs of upgrading the existing plant (the electricity and LNG boilers) to amount to NOK 5 million (nominal value).
- (18) The notified aid in the form of a direct grant amounts to NOK 172 million in nominal value and NOK 167.7 million in discounted value.¹⁰
- (19) The envisaged aid of NOK 167.7 million for the eligible costs of NOK 412.3 million (both figures in discounted value) corresponds to an aid intensity of 40.7 %, as follows:

MNOK	
A: Investment costs of the project	417.3
B: Alternative investment	5
C(=A-B): Eligible costs	412.3
Aid amount	167.7
Aid intensity, %	40.70%

Table 2. Eligible costs and aid intensity (discounted).

2.6.2 *Net extra costs*

2.6.2.1 The aided project

- (20) The economic lifetime of the project is 20 years. According to the Norwegian authorities the discounted investment costs of the project amount to NOK 386.6 million.¹¹
- (21) The Norwegian authorities estimate that the discounted operating benefits and costs over the lifetime of the project amount, respectively, to NOK [...] million and NOK [...] million.

2.6.2.2 Counterfactual investment

- (22) According to the Norwegian authorities, the counterfactual investment for upgrading the existing heat plant amounts to NOK 4.5 million in discounted value (see also paragraph (17)).
- (23) The Norwegian authorities estimate that the discounted operating benefits and costs over the lifetime of the alternative investment amount, respectively, to NOK [...] million and NOK [...] million.

¹⁰ Using the Authority's reference rate for Norway of 2.16 percent (i.e. the base rate for Norway increased by a fixed margin of 100 basis points), available at www.eftasurv.int/state-aid/rates. This is in accordance with paragraph (14)(20) of the Authority's guidelines on state aid for environmental protection and energy 2014-2020.

¹¹ The interest rate used for establishing the net extra costs and the net present value of the project and the counterfactual scenario is 9 % (real, before tax).

2.6.2.3 Net extra costs calculation

- (24) As summarised in the below table, the discounted net extra costs of the aided investment, compared to the counterfactual scenario in the absence of aid amount to NOK [...] million.

	Ranheim plant, MNOK	Counterfactual, MNOK
Investment costs	386.6	4.5
Operating benefits over the lifetime	[...]	[...]
Operating costs over the lifetime	[...]	[...]
Operating benefits net of operating costs over the lifetime	[...]	[...]
Total (net operating benefit minus investment costs)	[...]	[...]
Net extra costs	[...]	

Table 3. Net extra costs (discounted).

2.7 Incentive effect

- (25) The Norwegian authorities confirm that the beneficiary submitted the aid application before the start of works on the investment.
- (26) Furthermore, according to the Norwegian authorities, due to the unprofitability of the investment, Ranheim Energi would not undertake the investment without the aid. The Norwegian authorities have shown that the net present value (“NPV”)¹² and the internal rate of return (“IRR”)¹³ of the project are, with and without the notified aid, as follows:

	Without aid	With aid
NPV (MNOK)	[...]	[...]
IRR (%)	[...]	[...]

Table 4. NPV and IRR of the project.

2.8 Cumulation and transparency

- (27) The Norwegian authorities have confirmed that no cumulation with other types of aid will take place and that they will comply with the transparency requirements set out in section 3.2.7 of the EEAG.

2.9 Limited distortion of competition and trade

2.9.1 Lack of distortive effect on the markets for process steam and thermal heat

- (28) The Norwegian authorities submit that the market in which beneficiary will operate is the production of energy (process steam and thermal heating). The energy produced by Ranheim Energi will mainly be sold to RPBAS and thermal heat will also be provided to Statkraft Varme for the latter’s district heating network. The markets for process steam and

¹² The net present value of a project is the difference between the positive and negative cash flows over the lifetime of the investment, discounted to their current value (typically using the cost of capital), that is to say the normal rates of return applied by the undertaking concerned in other investment projects of a similar kind. When this benchmark is not available, the cost of capital of the company as a whole or rates of return commonly observed in the industry concerned may be used for this purpose.

¹³ The internal rate of return is not based on accounting earnings in a given year, but takes into account the stream of future cash flows that the investor expects to receive over the entire lifetime of the investment. It is defined as the discount rate for which the NPV of a stream of cash flows equals zero.

thermal heat for district heating are by definition bound to the location of the pipelines and therefore local by nature. Hence, the Norwegian authorities consider that the potential effect on trade and competition within the EEA, if any, is limited.

2.9.2 Lack of distortive effect on the markets for process wood chips and RDF

- (29) According to the Norwegian authorities, the Ranheim plant will make use of up to 70 000 tonnes of woodchips and RDF. This is an insignificant share of the total market for these fractions of waste-to-energy. As an example, the Norwegian authorities refer to Geminor, a large Nordic handler of waste for energy purpose that handled a total amount of 1.2 million tons of waste fuels in 2016.¹⁴ The Norwegian authorities consider that the volumes of input necessary to operate the plant are minor.

2.9.3 Dynamic incentives and the crowding out effect, maintaining inefficient firms afloat

- (30) The Norwegian authorities are of the opinion that the aid does not provide Ranheim Energi with a first mover advantage in the relevant markets. The investment will not result in any new products or production technologies and it is not technologically strategic. The production process is based on commercially available technology, and not as such innovative with the effect of providing the beneficiary with a "first mover advantage" in any relevant market.
- (31) According to the Norwegian authorities, Ranheim Energi is a new undertaking and its parent company has sound financial accounts. Moreover, the selection process applied by Enova leads to the selection of beneficiaries that can address the environmental objective using the least amount of aid or in the most cost-effective way.
- (32) Consequently, the Norwegian authorities consider that the aid does not distort dynamic incentives, crowd out investments nor is the aid used to maintain an inefficient firm afloat.

2.9.4 Market power or exclusionary practices

- (33) According to the Norwegian authorities, the aid would not allow the beneficiary to strengthen or maintain market power in any market. Ranheim Energi is a new company established to deliver energy to RPBAS and Statkraft Varme. Taking into account the size of the markets for electricity, oil and gas used for heating purposes, as well as the capacity and strength of the other market players, the amount of process steam produced at the Ranheim Energi heating plant will not under any circumstances influence the energy markets.
- (34) As for district heating market in the Trondheim area, Statkraft Varme has a *de facto* monopoly due to the concession making it responsible for and entitled to all district heating production and distribution in the area. As such, Ranheim Energi cannot access the district heating network without selling its energy production to Statkraft Varme.

2.9.5 Effects on trade and location

- (35) The Norwegian authorities consider it unlikely that the aid will attract more investments in the region where the project is located. The location of the project will not result in any benefits for the Ranheim area. The production conditions in general will not be changed,

¹⁴ The Norwegian authorities refer to Geminor's web site:
<https://geminor.no/2017/03/01/2016-a-record-year-for-geminor/>

neither in terms of lower production costs or in higher production standards. The aid is only granted to Ranheim Energi.

- (36) In addition, there is no evidence that Ranheim Energi considered other locations for its investment. Ranheim Energi is set up for energy production from renewable sources to RPBAS. Consequently, it must necessarily be located in the vicinity of RPBAS. This also applies to the delivery of thermal heat to Statkraft Varme, which is bound to the location of the pipelines.

II. ASSESSMENT

1 The presence of state aid

- (37) Article 61(1) of the EEA Agreement reads as follows:

“Save as otherwise provided in this Agreement, any aid granted by EC Member States, EFTA States or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Contracting Parties, be incompatible with the functioning of this Agreement.”

- (38) This implies that a measure constitutes state aid within the meaning of Article 61(1) of the EEA Agreement if the following conditions are cumulatively fulfilled: the measure (i) is granted by the State or through state resources; (ii) confers a selective economic advantage on the beneficiary; (iii) is liable to affect trade between Contracting Parties and to distort competition.
- (39) The aid stems from the Energy Fund. Disbursements by the Energy Fund constitute state resources within the meaning of Article 61(1) of the EEA Agreement.¹⁵
- (40) The aid is only granted to Ranheim Energi and would not be available under normal market conditions. The Authority therefore concludes that the measure gives an advantage to Ranheim Energi that is of a selective nature.
- (41) The producers of energy compete with each other in an open market to obtain customers. Energy can be sold and transported within the EEA. Furthermore, the beneficiary is part of a group that is, according to the Norwegian authorities, active in several markets (paper and packaging, renewable energy, wood pellets, chemicals, medical consumables and rehabilitation products) and in several EEA countries. All such markets are subject to competition and trade within the EEA. The economic advantage conferred on Ranheim Energi by the notified measure is therefore liable to distort competition and affect trade between the Contracting Parties to the EEA Agreement.
- (42) For these reasons, the Authority concludes that the notified measure constitutes state aid within the meaning of Article 61(1) of the EEA Agreement.

2 Procedural requirements

- (43) Norway has fulfilled its obligation according to Article 1(3) of Part I of Protocol 3 by notifying the investment aid before putting it into effect.

¹⁵ Decision No 248/11/COL, paragraph 47.

3 Compatibility of the aid

- (44) The Authority can declare state aid compatible with the functioning of the EEA Agreement under its Article 61(3)(c) provided that certain compatibility conditions are fulfilled.
- (45) The notified measure is aimed at promoting the generation of energy from renewable sources. The notified aid is financed from the "Energy measures in the industry" programme that is in turn financed under the Energy Fund scheme ("the REPP programme"). The Authority finds that, taking into account the explanations of the Norwegian authorities in paragraph (12), the notified measure complies with the terms of eligible projects under the REPP programme.
- (46) In its Decision No 248/11/COL, the Authority assessed the compatibility of the REPP programme with Article 61(3)(c) of the EEA Agreement on the basis of the then applicable EAG.¹⁶ However, the Norwegian authorities have, under paragraph 241 of the currently applicable EEAG, agreed to bring existing schemes into line with the EEAG by 1 January 2016.¹⁷ Enova approved the aid measure on 29 September 2016. Therefore, the Norwegian authorities consider that the compatibility of the measure should be assessed under the EEAG rather than the EAG.
- (47) The Authority agrees with the Norwegian authorities and considers that the EEAG (in particular sections 3.2 and 3.3) is the correct legal framework for the compatibility assessment of the notified measure. As the investment of public funds exceeds the EUR 15 million threshold set in paragraph 15(a) of the EEAG, the Authority also assessed the compatibility of the aid measure with the functioning of the EEA Agreement, pursuant to the conditions for individually notifiable aid, set out in section 3.2 of the EEAG.

3.1 Objective of common interest

- (48) The objective of the notified measure is closely linked to increasing the production of renewable energy, in the form of renewable heat in Norway (see section 2.5 of part I). As the Authority has found in its earlier decision making practice, the protection of the environment by means of promotion of renewable energy is an objective of common interest.¹⁸ This is also recognised under paragraph 25 of the EEAG.
- (49) The more general objective of environmental protection is established in the EEA Agreement. It is reflected in Chapter 3 of Part V of the EEA Agreement, entitled "Environment" (Articles 73 to 75). In particular, Article 73(1) of the EEA Agreement states that "action by the Contracting Parties relating to the environment shall have the following objectives: (a) to preserve, protect and improve the quality of the environment".¹⁹
- (50) In view of the above, the Authority considers that the notified measure contributes to an increased level of environmental protection in line with paragraphs 25, 26 and 28 of the EEAG. Therefore, the notified measure seeks to achieve an objective of common interest, in accordance with Article 61(3)(c) of the EEA Agreement.
- (51) Regarding paragraph 113 of the EEAG, Norway confirmed that Ranheim Energi's incineration plant burns waste in compliance with the waste hierarchy principle. Norway

¹⁶ See paragraph (8) above.

¹⁷ Document No 783792.

¹⁸ See for instance the Authority's Decision No 150/16/COL of 6 July 2016 on the amendment to the Norwegian Tax Act concerning changes in the depreciation rules for wind power plants (OJ C 434, 24.11.2016, p. 4), paragraph 39.

¹⁹ See also the Authority's Decision No 150/16/COL, paragraph 40.

also confirmed that biomass other than waste burnt in the plant meets the definition of biomass set out in the EEAG (see paragraph 14 (6) of the EEAG).

3.2 Need for state intervention

- (52) With reference to in particular paragraphs 29 and 33 of the EEAG, state aid should be targeted towards situations where aid can bring a material improvement that the market cannot alone deliver. State aid should address market failures that remain unaddressed by other policies and measures already in place, and – in case of individual aid – targeted to the case at hand.
- (53) As stated in paragraph 110 of the EEAG, the Authority in principle presumes the existence of a residual market failure which can render state aid necessary to encourage investments in renewable energy. The Authority does not see any reasons to depart from this presumption in this case and concludes that the notified measure is needed to address the market failure.

3.3 Appropriateness of state aid

- (54) According to paragraph 35 of the EEAG, an aid measure will not be considered compatible with the functioning of the EEA Agreement, if the same positive contribution to the common objective is achievable through other less distortive policy instruments or other less distortive types of aid instruments.
- (55) Under paragraph 111 of the EEAG, the appropriateness of aid to energy from renewable sources and the limited distortive effects of such aid can be presumed, provided all other conditions are met. The Authority does not see any reasons to depart from this presumption in this case and concludes that the notified measure is an appropriate instrument.
- (56) The Authority also notes that project will not be profitable, having negative NPV and low IRR (see paragraph (26)). Consequently, the Authority considers that less distortive aid instrument, e.g. a loan or a guarantee, would not be suitable to trigger investment in the project.

3.4 Incentive effect

- (57) State aid is only compatible with the functioning of the EEA Agreement if it has an incentive effect. An incentive effect occurs when the aid induces the beneficiary to change its behaviour to further the identified objective of common interest, a change in behaviour which it would not undertake without the aid.
- (58) Paragraph 55 of the EEAG states that the incentive effect is to be identified through the counterfactual scenario analysis, comparing the levels of intended activity with aid and without aid.
- (59) For the assessment of the financial profitability of an investment, two main financial performance indicators are calculated: i) NPV and ii) IRR. The rate of return used by Enova in the NPV analysis is 9 % (real, before tax). This is lower than the rate of return of [...] % used by the beneficiary for the project. The Norwegian authorities have explained that the level of rate of return used by Enova corresponds to the normal rate of return for the wood processing industry at 9.1 % and submitted evidence in that regard.²⁰ In the light of the explanations and documentation submitted by the Norwegian authorities, the Authority can accept the rate of return used by Enova in assessing the profitability of the project.

²⁰ Vurdering av normalavkastningskrav. 4.2.2016, Ernst&Young (Document No. 850459).

(60) Without the notified aid, the project generates a negative NPV (NOK - [...] million) and a low IRR ([...]), which is below the required IRR of 9%. In such a situation, market players would not want to invest in the project unless the project receives aid. The aid increases both the NPV and the IRR to the level that the beneficiary is willing to invest in the project (see the previous paragraph). The notified aid therefore would change the beneficiary's behaviour. Norway confirmed that the beneficiary was required to submit an aid application and the application was submitted before work on the project commenced, in compliance with paragraph 46 of the EEAG.

(61) The Authority therefore considers that the notified measure has an incentive effect.

3.5 Proportionality

- (62) According to paragraph 64 of the EEAG, "*environmental and energy aid is considered to be proportionate if the aid amount per beneficiary is limited to the minimum needed to achieve the environmental protection objective aimed for*". According to paragraph 67 of the EEAG, the costs eligible for environmental aid are the extra investment costs in tangible and/or in intangible assets which are directly linked to the achievement of the common objective.
- (63) In line with paragraph 68(b) of the EEAG, Norway has provided calculations to establish the extra investment costs based on a counterfactual situation in the absence of state aid. As outlined in section 2.6 of part I, the eligible costs have been determined by reference to the counterfactual scenario of upgrading the existing plant.
- (64) According to paragraph 72 of the EEAG, the Authority applies the maximum aid intensities set out in Annex 1 of the EEAG. Paragraph 74 of the EEAG provides that the Authority will consider aid to be compatible if the eligible costs are correctly calculated and the maximum aid intensities set out in Annex 1 of the EEAG are respected.
- (65) According to Annex I of the EEAG, the allowable aid intensity for investment in renewable energies by a large enterprise is 45% of the eligible costs. As explained in paragraph (19) above, the aid amount of the notified measure is NOK 167.7 million and the aid intensity 40.7% (discounted value).
- (66) Furthermore, in line with paragraph 76 of the EEAG, Norway has confirmed that the aid in question cannot be cumulated with other aid.
- (67) According to paragraph 78 of the EEAG, compliance with the aid intensities in Annex 1 is not sufficient alone and these maximum aid intensities are used as a cap for individually notifiable aid. The aid for these projects also needs to correspond to the net extra costs of the aided investment, as compared to a counterfactual scenario (paragraph 79 of the EEAG).
- (68) The net extra costs of the aided investment amount to NOK [...] million (see paragraph (24) above). The aid amount of NOK 167.7 million (discounted) can therefore be considered to be limited to the minimum.
- (69) Based on the above, the Authority concludes that the notified measure is proportional.

3.6 Avoidance of undue negative effects on competition and trade

- (70) According to paragraph 83 of the EEAG, the Authority considers that for the aid to be compatible with the internal market, the negative effects of the aid measure in terms of distortions of competition and impact on trade between the Contracting Parties must be

limited and outweighed by the positive effects in terms of contribution to the objective of common interest.

- (71) In line with paragraph 93 of the EEAG, if the aid is proportionate and limited to the extra investment costs, the negative impact of the aid is in principle softened (see also paragraph 111 of the EEAG). Norway has demonstrated that the aid is limited to measures aimed at the renewable energy production and will not enhance paper and packaging production of RPBAS. Norway has also shown that the heat production is limited²¹, the amount of fuel required to operate the project is not large²² and is it not foreseeable that any negative effects would occur on any markets related to the project. Therefore, the Authority can conclude that the notified measure will not cause undue distortions on any markets.
- (72) In terms of the additional conditions for the assessment of the distortion of competition and balancing test in the context of individually notified aid, the Authority is satisfied, having taken into account the possible effects listed under paragraph 96 of the EEAG and the explanations provided by the Norwegian authorities,²³ that the overall balance of the notified aid measure is also positive.
- (73) The Authority further notes that, according to the Norwegian authorities, the beneficiary was selected in line with the procedure foreseen in section 6 of part I of the Authority's Decision No 248/11/COL²⁴. As the Authority has concluded earlier, following that procedure further reduces potential distortions of competition.²⁵
- (74) The Authority thus considers that the notified measure does not have any undue distortive effects on competition and trade that would outweigh the positive effects of the measure. Therefore, the overall balance is positive.

3.7 Transparency

- (75) The Authority finally notes the Norwegian authorities' commitment to meet the transparency obligation laid down in Section 3.2.7 of the EEAG.

4 Conclusion

- (76) On the basis of the foregoing assessment, the Authority considers that the notified individual aid to Ranheim Energi is compatible with the functioning of the EEA Agreement, pursuant to Article 61(3)(c) thereof.

HAS ADOPTED THIS DECISION:

Article 1

Not to raise objections to the individual state aid to Ranheim Energi AS for the construction of an incineration plant in Ranheim, in Trondheim municipality, on the grounds that it is compatible with the functioning of the EEA Agreement pursuant to its Article 61(3)(c).

²¹ See paragraph (28) above.

²² See paragraph (29) above.

²³ See section 2.9 of Part I above.

²⁴ See paragraph (9) above.

²⁵ See, for instance, the Authority's Decision No 37/15/COL not to raise objections to individual aid in favour of Hydro Aluminium AS for the construction of the Karmøy demonstration plant (OJ C 193, 11.06.2015, p. 6 and EEA Supplement to the OJ No 32, 11.06.2015, p. 1), paragraph 163.

Article 2

The implementation of the measure is authorised accordingly.

Article 3

This Decision is addressed to the Kingdom of Norway.

Article 4

Only the English language version of this decision is authentic.

Done in Brussels, on 27 June 2017.

For the EFTA Surveillance Authority, acting under Delegation Decision No 068/17/COL.

Sven Erik Svedman
President

Carsten Zatschler
Director

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