

Case No: 60376
Event No: 402474
Dec. No.: 378/06/COL

EFTA SURVEILLANCE AUTHORITY DECISION
of 6 December 2006
on the maps of assisted areas and levels of aid
(Iceland)

THE EFTA SURVEILLANCE AUTHORITY¹,

Having regard to the Agreement on the European Economic Area², in particular to Articles 61 to 63 and Protocol 26 thereof,

Having regard to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice³, in particular to Article 24 thereof,

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

Having regard to the Authority's Guidelines⁴ on the application and interpretation of Articles 61 and 62 of the EEA Agreement, and in particular Chapter 25.B on "National Regional Aid 2007-2013" thereof,

Whereas:

I. FACTS

1 Procedure

By letter of 10 July 2006 from the Icelandic Mission to the European Union forwarding a letter from the Ministry of Finance dated 7 July 2006, both received and registered by the Authority on 11 July 2006 (Event No: 380966), the Icelandic authorities notified, pursuant to Article 1(3) of Part I of Protocol 3 to the Surveillance and Court Agreement, a new map of assisted areas and levels of aid in Iceland to be applicable from 1 January 2007 to 31 December 2013. The notification was based on a new NUTS classification of Iceland into

¹ Hereinafter referred to as the Authority.

² Hereinafter referred to as the EEA Agreement.

³ Hereinafter referred to as the Surveillance and Court Agreement.

⁴ Guidelines on the application and interpretation of Articles 61 and 62 of the EEA Agreement and Article 1 of Protocol 3 to the Surveillance and Court Agreement, adopted and issued by the EFTA Surveillance Authority on 19 January 1994, published in OJ 1994 L 231, EEA Supplements 03.09.94 No 32. The Guidelines were last amended on 25 October 2006. Hereinafter referred to as the State Aid Guidelines. The State Aid Guidelines are accessible on: <http://www.eftasurv.int/fieldsOfWork/fieldstateaid/guidelines/>.

two NUTS III regions and was submitted with the reservation that EUROSTAT accepted the proposal of the Icelandic Government to adopt such new classification.

By letter of 13 July 2006 (Event No: 381227), the Authority informed the Icelandic authorities that without the confirmation that EUROSTAT had formally accepted the proposal that Iceland be classified as two NUTS III regions, the Authority was unable to define its position on the proposed map.

By letter of 20 October 2006 from the Icelandic Mission to the European Union forwarding a letter from the Ministry of Finance of 20 October 2006, both received and registered by the Authority on 25 October 2006 (Event No: 395420), the Icelandic authorities notified the Authority an amendment to the notification of a regional aid map for Iceland for 2007-2013.

By letter of 25 October 2006 (Event No: 396970), the Authority asked the Icelandic authorities to provide some additional information.

By letter of 16 November 2006 (Event No: 398727) from the Ministry of Finance, complementary information was provided to the Authority.

2 Background

By letter of 6 April 2006 from the Authority to the Icelandic Mission to the European Union (Event No: 369212), the Icelandic authorities were informed that the Authority had adopted new guidelines on national regional aid for 2007-2013 in the form of a new Chapter 25.B of the State Aid Guidelines.

Furthermore, the Authority proposed, under Article 1(1) in Part I of Protocol 3 to the Surveillance and Court Agreement, that the Icelandic authorities accept the appropriate measures set out in Chapter 25.B.8 of the State Aid Guidelines⁵.

By letter of 11 April 2006 from the Icelandic Mission to the European Union, received and registered by the Authority on 12 April 2006 (Event No: 369986), the Icelandic authorities accepted the proposed appropriate measures.

The new Chapter 25.B of the State Aid Guidelines establishes that national investment aid may be granted to further the economic development of certain disadvantaged regions. For the EFTA States to be able to grant such aid, a map of assisted areas has to be notified and approved by the Authority.

The new Chapter 25.B of the State Aid Guidelines provides that low population density regions, at the outset defined as NUTS level III⁶ regions with less than 12.5 inhabitants per square kilometre, would qualify for inclusion in the map. Iceland is however, according to the current NUTS classification system defined as such as a NUTS III region (as well as a NUTS I and a NUTS II region). The population density of Iceland is less than 12.5 inhabitants per square kilometre⁷. In the light of the special population pattern in Iceland, the Authority has decided to determine the population coverage for Iceland on the basis of NUTS IV regions with low population density. 31.6% of the Icelandic population lives in

⁵ Paragraph (92).

⁶ As defined in “*Statistical regions in the EFTA countries in the candidate countries*”, 2001 edition by the Commission of the European Communities and the Statistical office of the European Communities.

⁷ The actual figure is 2.9 inhabitants per square kilometre.

such regions having a population of less than 12.5 inhabitants per square kilometre. The national population coverage for Iceland is thus 31.6%.

However, in view of a forthcoming reform of the Icelandic NUTS classification, the Authority has expressly provided in the new Chapter 25.B of the State Aid Guidelines⁸ that the map of assisted areas could be defined with reference to NUTS III regions, should more than one NUTS III region be introduced in Iceland.

By letter of 25 October 2006 from the Icelandic authorities, the Authority was informed that EUROSTAT had approved the new NUTS classification for Iceland based on two NUTS III regions as from 1 January 2008.

3 Description of the proposed maps

The Icelandic authorities have notified two maps of assisted areas that is based on two successive NUTS classifications: one based on the current NUTS classification for the period from 1 January 2007 to 31 December 2007, and one based on the new NUTS classification for the period from 1 January 2008 to 31 December 2013.

3.1 Proposed map for period 1 January 2007 – 31 December 2007

3.1.1 Methodology and coverage

In Iceland, six NUTS IV regions have less than 12.5 inhabitants per square kilometre: Austurland, Norðurland eystra, Norðurland vestra, Suðurland, Vestfirðir and Vesturland. All those NUTS IV regions are proposed eligible for national regional aid.

The areas included have a total population of 96 010 inhabitants and an average population density of 0.95 inhabitants per square kilometre⁹. The population living in those areas represents 31.4% of the total Icelandic population.

The proposed map of assisted areas for 1 January 2007- 31 December 2007 consists of the six NUTS IV regions mentioned here above as illustrated by the map enclosed under Annex 1 to this decision.

An overview of the municipalities covered by the regional aid map for the period 1 January 2007 – 31 December 2007 is given in Annex 2 to this decision.

3.1.2 Aid ceilings

The Icelandic authorities propose that all areas included in the map should benefit from the maximum aid intensities as provided in the Authority's guidelines on regional aid.

Table 1 below shows the notified aid intensities.

⁸ Paragraph (21).

⁹ The population figures are based on the estimated population data on 1 October 2006.

Table 1:

GEOGRAPHICAL AREA	GENERAL AID CEILING (GGE)*	SUPPLEMENT FOR MEDIUM-SIZED ENTERPRISES ¹⁰ (GGE)	SUPPLEMENT FOR SMALL ENTERPRISES ¹¹ (GGE)
All eligible areas	15%	10%	20%

* **Gross Grant Equivalent**

3.2 Proposed map for period 1 January 2008 – 31 December 2013

3.2.1 Methodology and coverage

By letter of 9 June 2006, the Icelandic authorities have formally requested that EUROSTAT adopt a new NUTS classification for Iceland as two NUTS III regions. Those two NUTS III regions are the Capital region (“*Höfuðborgarsvæði*”) on the one hand, and Iceland outside of the capital region (“*Landsbyggð*”) on the other hand. The NUTS III region “Iceland outside the Capital region” corresponds to the North West, North East and South electoral districts.

By letter of 27 September 2006, the Director General of EUROSTAT informed the Icelandic authorities that the new division of Iceland into two NUTS III regions would enter into force on 1 January 2008.

The areas included have a total population of 113 485 inhabitants and an average population density of 1.2 inhabitants per square kilometre¹². The population living in those areas represents 37.5% of the total Icelandic population.

The proposed map of assisted areas for 2008-2013 consists of the three rural electoral districts, as illustrated by the map enclosed under Annex 3 to this decision.

An overview of the municipalities covered by the regional aid map for the period 1 January 2008 – 31 December 2013 is given in Annex 4 to this decision.

3.2.2 Aid ceilings

The Icelandic authorities propose that all areas included in the map should benefit from the maximum aid intensities.

Table 2 below shows the notified aid intensities.

¹⁰ As defined in Annex 1 of Commission Regulation (EC) No 364/2004 of 25 February 2004 amending regulation (EC) 70/2001, OJ L 63, 28.2.2004, p.22 incorporated in the EEA Agreement through Annex XV point 1f) by decision of the EEA Joint Committee No 131/2004 of 25.09.2004 (OJ L 64, 10.3.2005, p.57 and EEA Supplement No 12, p.42), or any successor regulation.

¹¹ See footnote 11.

¹² The population figures are based on the estimated population data on 1 April 2006.

Table 2:

GEOGRAPHICAL AREA	GENERAL AID CEILING (GGE)*	SUPPLEMENT FOR MEDIUM-SIZED ENTERPRISES ¹³ (GGE)	SUPPLEMENT FOR SMALL ENTERPRISES ¹⁴ (GGE)
All eligible areas	15%	10%	20%

* Gross Grant Equivalent

II. APPRECIATION

1 Notification formalities

Chapter 25.B.7 of the State Aid Guidelines¹⁵ states that “*the regions of an EFTA State eligible for regional investment aid under the derogations and the ceilings on the intensity of aid for initial investment approved for each region together form an EFTA State’s regional aid map*”.

The establishment of the map itself does not involve any direct aid in the meaning of Article 61(1) of the EEA Agreement. However, the authorisation of the map establishes, together with the guidelines on regional aid, the framework for granting of aid under the regional aid schemes.

By accepting the appropriate measures, the Icelandic Government accepted to notify, in accordance with Article 1(3) in Part I of Protocol 3 to the Surveillance and Court Agreement, a single regional aid map¹⁶. The notification dated 7 July 2006 (Event No: 380966), as modified by the Amendment of 25 October 2006 (Event No: 395420), and as completed by letter of 16 November 2006 constitutes a complete notification. The Icelandic authorities have thereby fulfilled their obligations under the acceptance of the appropriate measures and Article 1(3) in Part I of Protocol 3 to the Surveillance and Court Agreement. Consequently, in line with Chapter 25.B.7, paragraph (86), the Authority will assess the notification in accordance with the procedure set out in Article 1(3) in Part I of Protocol 3 to the Surveillance and Court Agreement.

The Authority’s examination of the notification is based on the criteria set out in Chapter 25.B.3-4 of the State Aid Guidelines.

2 Application of the relevant State aid rules

2.1 Regional aid map 1 January 2007 – 31 December 2007

2.1.1 Methodology and coverage

In accordance with Chapter 25.B.3.3.2 of the State Aid Guidelines, the Icelandic authorities have proposed a method based on NUTS IV geographic regions with a population density of less than 12.5 inhabitants per square kilometre.

¹³ See footnote 11.

¹⁴ See footnote 11.

¹⁵ Paragraph (81).

¹⁶ Paragraph (85).

The Authority notes that the proposed assisted area has a total population of 96 010 people and a population density of 0.95 inhabitants per square kilometre. The proposed map of the assisted areas is covering 31.4% of the total population in Iceland. The total population coverage of 31.4% proposed as eligible by the Icelandic authorities does not exceed the national population ceiling set in Chapter 25.B.3.3.1 at 31.6%¹⁷.

The Authority finds that this part of the proposal meets the relevant criteria of Chapter 25 of the State Aid Guidelines.

2.1.2 Aid ceilings

The Icelandic authorities have proposed general maximal aid ceilings for all the areas covered by the regional aid map to be 15% GGE for large enterprises with a supplement of 10% for medium-sized enterprises and 20% for small enterprises.

Such approach is in line with the terms of Chapter 25.B.4.1.2 of the State Aid Guidelines¹⁸ which provides: “*The low population density regions (corresponding to NUTS III level or smaller) and NUTS III regions or parts thereof which share a land border with a country which is not a Member State of the European Economic Area or EFTA, are always eligible for an aid intensity of 15% GGE*”. (emphasis added)

The State Aid guidelines further provide¹⁹ that “*in the case of aid awarded to small and medium-sized enterprises, the ceilings in Section 25.B.4.1.2, may be increased by 20% GGE for aid granted to small enterprises and by 10% GGE for aid granted to medium-sized enterprises*”.

The Authority therefore concludes that the maximum aid intensities for regional investment aid, as proposed by the Icelandic authorities, are in accordance with the State Aid Guidelines.

2.2 Regional aid map 1 January 2008 – 31 December 2013

2.2.1 Methodology and coverage

In accordance with Chapter 25.B.3.3.2 of the State Aid Guidelines, the Icelandic authorities have proposed a method based on NUTS III geographic regions with a population density of less than 12.5 inhabitants per square kilometre.

The Authority notes that the proposed assisted area has a total population of 113 485 people and a population density of 1.2 inhabitants per square kilometre. The proposed map of the assisted areas is covering 37.5% of the total population in Iceland. The total population coverage of 37.5% proposed as eligible by the Icelandic authorities exceeds the national population ceiling referred to in Chapter 25.B.3.3.1²⁰. However, the Authority provided for a possibility to re-assess the total population coverage for Iceland in case the classification is amended by introducing more than one NUTS III region²¹. The higher population coverage is therefore acceptable.

The Authority finds that this part of the proposal meets the relevant criteria of Chapter 25 of the State Aid Guidelines.

¹⁷ Paragraph (21).

¹⁸ Paragraph (37).

¹⁹ Paragraph (38).

²⁰ Paragraph (21).

²¹ Footnote 22.

2.2.2 Aid ceilings

The Icelandic authorities have proposed general maximal aid ceilings for all the areas covered by the regional aid map to be 15% GGE for large enterprises with a supplement of 10% for medium-sized enterprises and 20% for small enterprises.

Such approach is in line with the terms of Chapter 25.B.4.1.2 of the State Aid Guidelines²² which provides: “*The low population density regions (corresponding to NUTS III level or smaller) and NUTS III regions or parts thereof which share a land border with a country which is not a Member State of the European Economic Area or EFTA, are always eligible for an aid intensity of 15% GGE*”. (emphasis added)

The State Aid Guidelines²³ further provide that “*in the case of aid awarded to small and medium-sized enterprises, the ceilings in Section 25.B.4.1.2, may be increased by 20% GGE for aid granted to small enterprises and by 10% GGE for aid granted to medium-sized enterprises*”.

The Authority therefore concludes that the maximum aid intensities for regional investment aid, as proposed by the Icelandic authorities, are in accordance with the State Aid Guidelines.

3 Scope of the decision and cumulation of aid

The maps of assisted areas shall in principle apply from 1 January 2007 to 31 December 2013. It may, however, as provided by Chapter 25.B.7 of the State Aid Guidelines²⁴, be subject to mid-term review in 2010.

The decision does not restrict the powers of the Authority to review the maps in accordance with Article 1(1) in Part I of Protocol 3 to the Surveillance and Court Agreement if necessary before the end of the period referred to above.

The Icelandic authorities are reminded that when applying regional aid schemes to shipbuilding, the aid ceiling of 12.5% for the “*Article 61(3)(c)*” regions may not be exceeded, according to Chapter 25.B.3.3.6 of the State Aid Guidelines²⁵ read in conjunction with Chapter 25.B of the State Aid Guidelines.

The proposed aid ceilings are cumulative, *i.e.* they refer to the upper limit for regional investment aid from all public sources awarded to a particular investment project.

Furthermore, regional investment aid shall not be cumulated with *de minimis* support in respect of the same eligible expenses in order to circumvent the maximum aid intensities laid down in the State Aid Guidelines.

Any regional aid scheme which is not group exempted and which comes into force after 31 December 2006²⁶ shall be notified to the Authority in accordance with Article 1(3) in Part I of Protocol 3 to the Surveillance and Court Agreement.

²² Paragraph (37).

²³ See footnote 19.

²⁴ Paragraph (89).

²⁵ Paragraph (26(c)).

²⁶ Paragraph (11) and (90) of Chapter 25.B of the State Aid Guidelines.

Furthermore, the Icelandic authorities are reminded that, in accordance with Chapter 25.B.8 of the State Aid Guidelines, any existing regional aid scheme including investment aid to be granted after 31 December 2006 shall, if not group exempted, be amended as need be and shall be notified to the Authority in accordance with Article 1(3) in Part I of Protocol 3 to the Surveillance and Court Agreement.

4 Conclusion

The notified maps of assisted areas reflect the requirements set out in Chapter 25.B of the State Aid Guidelines and the Authority can approve the maps of regions eligible for aid under Article 61(3)(c) of the EEA Agreement.

HAS ADOPTED THIS DECISION:

Article 1

The EFTA Surveillance Authority has decided to approve the proposal for the maps of assisted areas and maximum aid intensities in Iceland as notified to the Authority by letter of 10 July 2006 (Event No: 380966), amended by letter of 25 October 2006 (Event No: 395420) and completed by letter of 16 November 2006. Annexes 1 and 3 to this decision, which show the regional aid maps for Iceland for, respectively, the period 1 January 2007 – 31 December 2007 (Annex 1) and for the period 1 January 2008 – 31 December 2013 (Annex 3) form an integral part of Chapter 25.B of the State Aid Guidelines. Annexes 2 and 4 to this Decision list all municipalities eligible for regional aid for the period 1 January 2007 – 31 December 2007 (Annex 2) and for the period 1 January 2008 – 31 December 2013 (Annex 4).

Article 2

Without prejudice to Article 1(1) in Part I of Protocol 3 to the Surveillance and Court Agreement, the maps of areas eligible for regional investment aid should be applicable from 1 January 2007 until 31 December 2013.

Article 3

This Decision is addressed to the Republic of Iceland.

Article 4

Only the English version is authentic.

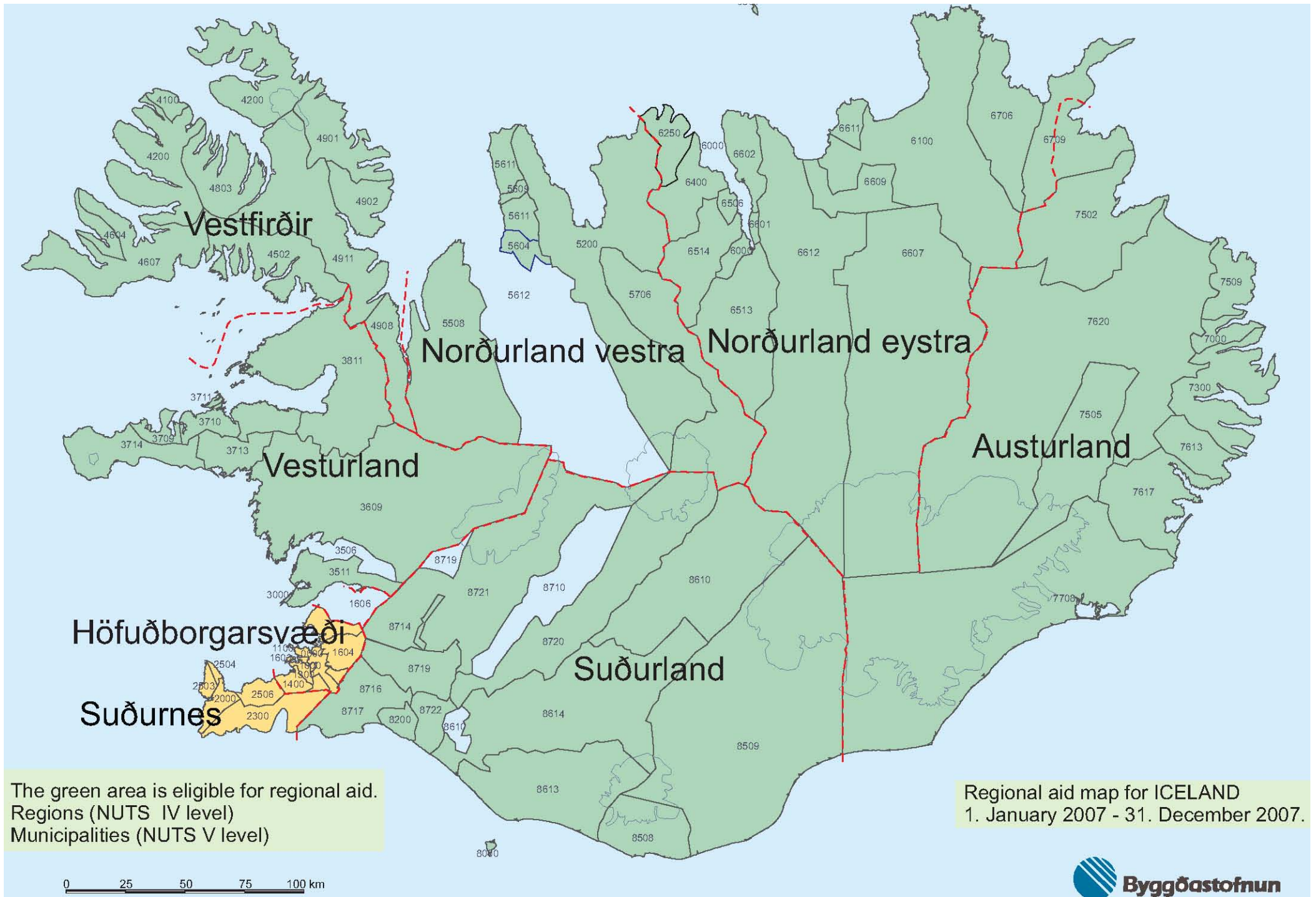
Done at Brussels, 6 December 2006.

For the EFTA Surveillance Authority,

Bjørn T. Grydeland
President

Kristján Andri Stefánsson
College Member

Annex I – Regional aid map for the period 1 January 2007 to 31 January 2007



The green area is eligible for regional aid.
Regions (NUTS IV level)
Municipalities (NUTS V level)

Regional aid map for ICELAND
1. January 2007 - 31. December 2007.

ANNEX 2 – List of municipalities included in the regional aid map for the period 1 January 2007 – 31 December 2007

NUTS IV regions	MUNICIPALITIES
West Region (Vesturland)	Akraneskaupstaður
	Hvalfjarðarsveit
	Skorradalshreppur
	Borgarbyggð
	Grundarfjarðarbær
	Helgafellssveit
	Stykkishólmubær
	Eyja- og Miklaholtshreppur
	Snæfellsbær
	Dalabyggð
Westfjord Region (Vestfirðir)	Bolungarvíkurkaupstaður
	Ísafjarðarbær
	Reykholahreppur
	Tálknafjarðarhreppur
	Vesturbyggð
	Súðavíkurhreppur
	Árneshreppur
	Kaldrananeshreppur
	Bæjarhreppur
	Strandabyggð
North-West Region (Norðurland-vestra)	Sveitarfélagið Skagafjörður
	Húnaþing vestra
	Blönduóssbær
	Húnavatnshreppur
	Höfðahreppur
	Skagabyggð
	Akrahreppur

NUTS IV regions	MUNICIPALITIES
North East Region (Norðurland-eystra)	Akureyrarkaupstaður
	Norðurþing
	Fjallabyggð
	Dalvíkurbyggð
	Grímseyjarhreppur
	Arnarneshreppur
	Eyjafjarðarsveit
	Hörgárbyggð
	Svalbarðsstrandarhreppur
	Grýtubakkahreppur
	Skútustaðahreppur
	Aðaldælahreppur
	Tjörneshreppur
	Þingeyjarsveit
	Svalbarðshreppur
East Region (Austurland)	Langanesbyggð
	Seyðisfjarðarkaupstaður
	Fjarðabyggð
	Vopnafjarðarhreppur
	Fljótshlíahreppur
	Borgarfjarðarhreppur
	Breiðdalshreppur
	Djúpavogshreppur
	Fljótshlíhérað
South Region (Suðurland)	Sveitarfélagið Hornafjörður
	Vestmannaeyjabær
	Sveitarfélagið Árborg
	Mýrdalshreppur
	Skaftárhreppur
	Ásahreppur
	Rangárþing eystra
	Rangárþing ytra
	Hrunamannahreppur
	Hveragerðisbær
	Sveitarfélagið Ölfus
	Grímsnes- og Grafningshreppur
	Skeiða- og Gnúpverjahreppur
	Bláskógabyggð
	Flóahreppur

ANNEX 3 –Regional aid map for the period 1 January 2008 – 31 December 2013



ANNEX 4 – List of municipalities included in the regional aid map for the period 1 January 2008 – 31 December 2013

NUTS III REGION – ICELAND OUTSIDE THE CAPITAL REGION	Municipalities
NORTH WEST ELECTORAL DISTRICT	Akraneskaupstaður
	Hvalfjarðarsveit
	Skorradalshreppur
	Borgarbyggð
	Grundarfjarðarbær
	Helgafellssveit
	Stykkishólmsbær
	Eyja- og Miklaholtshreppur
	Snæfellsbær
	Dalabyggð
	Bolungarvíkurkaupstaður
	Ísafjarðarbær
	Reykholahreppur
	Tálknafjarðarhreppur
	Vesturbyggð
	Súðavíkurhreppur
	Árneshreppur
	Kaldrananeshreppur
	Bæjarhreppur
	Strandabyggð
	Sveitarfélagið Skagafjörður
	Húnaþing vestra
	Blönduósibær
	Húnavatnshreppur
	Höfðahreppur
	Skagabyggð
	Akrahreppur
Norðurþing	
Fjallabyggð	
Dalvíkurbyggð	
Grímseyjarhreppur	
Arnarneshreppur	
Eyjafjarðarsveit	
Hörgárbyggð	
Svalbarðsstrandarhreppur	
Grýtubakkahreppur	
Skútustaðahreppur	
Aðaldalahreppur	
Tjörneshreppur	

NUTS III REGION – ICELAND OUTSIDE THE CAPITAL REGION	Municipalities
NORTH EAST ELECTORAL DISTRICT	Pingeysjarsveit
	Svalbarðshreppur
	Langanesbyggð
	Seyðisfjarðarkaupstaður
	Fjarðabyggð
	Vopnafjarðarhreppur
	Fljótsdalshreppur
	Borgarfjarðarhreppur
	Breiðdalshreppur
	Djúpavogshreppur
	Fljótsdalshérað
	SOUTH ELECTORAL DISTRICT
Grindavíkurbær	
Sandgerðisbær	
Sveitarfélagið Garður	
Sveitarfélagið Vogar	
Sveitarfélagið Hornafjörður	
Vestmannaeyjabær	
Sveitarfélagið Árborg	
Mýrdalshreppur	
Skaftárhreppur	
Ásahreppur	
Rangárþing eystra	
Rangárþing ytra	
Hrunamannahreppur	
Hveragerðisbær	
Sveitarfélagið Ölfus	
Grímsnes- og Grafningshreppur	
Skeiða- og Gnúpverjahreppur	
Bláskógabyggð	
Flóahreppur	