

EFTA SURVEILLANCE AUTHORITY DECISION
of 28 July 2016
on the investment aid in favour of Silicor Materials Iceland ehf.
(Iceland)

The EFTA Surveillance Authority (“the Authority”),

HAVING REGARD to:

the Agreement on the European Economic Area (“the EEA Agreement”), in particular to Article 61(1) and 61(3)(c) and Protocol 26 thereof,

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,

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) By letter of 8 June 2016, the Icelandic authorities notified their plans to grant aid to the company Silicor Materials Iceland ehf. (Silicor Materials or the beneficiary), for the construction of a high-quality solar silicon plant at the Grundartangi industrial site, in the municipality of Hvalfjarðarsveit, in the Vesturland region, Iceland.¹

2. The aid measures

- (2) The Icelandic authorities intend to promote regional development in the Vesturland region by providing investment aid amounting to 4 640 ISK million or EUR 29.33 million in net present value terms (NPV) – EUR 59.55 million in nominal value – to Silicor Materials, for constructing a plant to produce solar silicon. The eligible investment costs amount to EUR [450-600] million in NPV or EUR [650-800] million in nominal value.
- (3) The aid measures and their context are described in further detail in sections 3 to 7 below.

¹ Doc. No 807215.

3. The aid beneficiary

- (4) Silicor Materials is a limited liability company incorporated under Icelandic law on 15 January 2015.
- (5) Silicor Materials is the operating company owning all assets in connection with the project. The current owner of the company is Silicor Materials Iceland Holding ehf., which owns 100% of the shares in Silicor Materials. Silicor Materials Inc., a US manufacturer of high-quality solar silicon, owns all shares in Silicor Materials Iceland Holding ehf.
- (6) Silicor Materials has a research and development (R&D) centre located in Berlin, Germany and a manufacturing plant in Vaughan, Canada. This facility served as a pilot manufacturing facility and is at present used as a demonstration facility.

4. The investment: a new solar silicon plant

4.1. Description of the plant

- (7) Silicor Materials is planning to build and operate its first large scale solar silicon plant in Iceland. The construction is expected to begin in the summer of 2016 and will be completed in the first quarter of 2018.
- (8) The plant will be constructed at an industrial site at Katanes in Grundartangi, a non-residential area belonging to Hvalfjarðasveit municipality in the Vesturland region. It is designed to produce up to 16 000 MT (metric tonnes) of high-quality solar silicon, 27 000 MT of master alloy and 78 000 MT poly aluminium chloride per annum. It is estimated that approximately 80 MW (megawatt) of power will be used to produce solar silicon using 21 furnaces.

4.2. Environmentally friendly technology

- (9) The Icelandic authorities submit that the plant will use a completely new technology developed by Silicor Materials, already tested in the company's facilities in Canada.
- (10) The notification refers to an innovative solar silicon purification process which: (i) uses far less energy, (ii) produces no harmful silane gas, (iii) has a much smaller carbon footprint, and (iv) performs as well as or better than solar silicon production using traditional methods.
- (11) The Icelandic authorities submit that the environmental impact of the plant will be negligible. This has been confirmed by the Environment Agency of Iceland, which found that there was no need to carry out an environmental impact assessment for the plant in question.²

4.3. Employment and training

- (12) It is estimated that around 450 people will be employed in the newly constructed plant. Most of them would need to be trained. This training will be financed pursuant to Article 17 of the Investment Agreement, subject to a special authorization in the National Budget approved by the Icelandic Parliament. The aid will be granted on the basis of the General Block Exemption Regulation (GBER)³ and will not exceed the maximum amount of EUR 2 million. This training aid is outside the scope of the present decision.

² Letter from the Environment Agency dated 4 April 2014. A copy of the letter was sent to the Authority as Annex 5 to the notification (Doc. No 807233).

³ Commission Regulation (EU) No 651/2014 of June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty. Act incorporated into the EEA

4.4. Eligible costs

- (13) In nominal value, the total cost of the investment project is estimated at approximately EUR [750-900] million, of which EUR [650-800] million will be the total eligible investment costs, accrued over a four-year period (from 2016 to 2019):

Table 1. Estimated eligible investment costs

Investment category in MEUR	2016	2017	2018	2019	Total
Buildings	[...]	[...]	[...]	[...]	[...]
Machinery & Equipment	[...]	[...]	[...]	[...]	[...]
Other assets	[...]	[...]	[...]	[...]	[...]
Other costs	[...]	[...]	[...]	[...]	[...]
Nominal eligible costs	[...]	[...]	[...]	[...]	[650-800]
NPV eligible costs	[...]	[...]	[...]	[...]	[450-600]

4.5. Financing of the project

- (14) The project will be financed by equity and debt. In particular, it is estimated that the project will have approximately EUR [...] million of total new equity capital. A loan has been signed between Silicor Materials and [...]. This loan complies with the terms of the OECD arrangement for official export credits that stipulate minimum interest rates, and therefore reflects market terms.
- (15) The Icelandic authorities submit that the beneficiary's own contribution to the investment, which is free of any public support, exceeds 25 per cent of the eligible costs.

5. Legal basis

- (16) The Icelandic authorities plan to support the investment of Silicor Materials through four separate agreements, where the aid grantors are: (i) the Icelandic Government, (ii) Hvalfjarðarsveit municipality and (iii) Faxaflóahafnir sf. (Faxaports).⁴
- (17) The agreements can be grouped as follows:
- The Investment Agreement between the Icelandic State and Hvalfjarðarsveit municipality on the one hand and Silicor Materials on the other;
 - The Agreement between Faxaports sf. and Silicor Materials, which consists of three sub-agreements: i. Land Lease Agreement, ii. Agreement on allocation, iii. Port Terminal Agreement. These agreements have been slightly modified by a Supplemental Agreement signed on 20 April 2016.

Agreement by the Decision of the EEA Joint Committee No 152/2014 of 27 June 2014 amending Annex XV (State aid) to the EEA Agreement (OJ L 342, 27.11.2014, p. 63 and EEA Supplement No 71, 27.11.2014, p. 61).

⁴ Faxaports is an independently operated company, running four harbours and is owned by five municipalities: City of Reykjavik, Akraneskaupstadur, Hvalfjarðarsveit, Skorradalshreppur and Borgarbyggj. Faxaports has developed the Grundartangi industrial site, where the new plant will be built.

6. Description of the measures proposed to Silicor Materials

- (16) The Icelandic authorities submit that not all the measures described in the section below entail state aid within the meaning of Article 61(1) of the EEA Agreement (see table 2). Those measures not constituting state aid are nevertheless notified for legal certainty.

Table 2. Legal qualification by the Icelandic authorities of the support measures proposed to Silicor Materials

No state aid	State aid
Investment Agreement: <ul style="list-style-type: none"> • Taxation clauses • Import duties exemption • VAT deferral 	Investment Agreement: <ul style="list-style-type: none"> • Reduced corporate income tax • Reduced general Social Security Charge • Flexible depreciation rules • Reduced municipal property tax
Land Lease Agreement: <ul style="list-style-type: none"> • Non-payment of rent until the land is ready for construction 	Land Lease Agreement: <ul style="list-style-type: none"> • Rent Deferral from mid-2017 (estimated date) to 1.1.2018 • Fixed rent amount
Agreement on Allocation <ul style="list-style-type: none"> • General land-use works 	
	Port Terminal Agreement <ul style="list-style-type: none"> • Reduced wharfage fee • Reduced maritime security fee

6.1. The Investment Agreement

- (18) On 26 September 2014, the Icelandic authorities and Silicor Materials signed an Investment Agreement. This Agreement grants the beneficiary regional investment aid for the construction of the solar silicon plant in the form of various tax and fee concessions.
- (19) According to Article 20, the Agreement will only become effective when the Authority has taken a decision regarding the compatibility of the state aid measures foreseen.
- (20) The Agreement shall be in force for thirteen years from the date of its entry into force (Article 20.2). However, Article 5.5 of the Agreement foresees that the incentives, exemptions, derogations and other stipulations of the Agreement shall remain in full force and effect for 10 years from the day the relevant taxable obligation is activated and never more than thirteen years from the date of signature of the Agreement. This implies that all exemptions will be discontinued in the year 2027 at the latest.

(i) Taxation clauses

- (21) Article 4.1 of the Investment Agreement establishes that Silicor Materials shall be subject to taxes and other public charges generally levied in Iceland according to the rules applicable to such charges, except for those provided for in the Agreement. Articles 5 and 6 contain the exemptions relevant for Silicor Materials.
- (22) Article 5.6 of the Investment Agreement contains the following clause: *“The Government shall not impose new/further charges or taxes related to electricity purchase and/or consumption by the Company, unless such charges or taxes are generally levied on other companies in Iceland”*.

- (23) Article 5.7. of the Investment Agreement states: *“The Government shall not impose taxes, duties or charges related to emission or pollution or the release of gas or other disposal of waste, unless such charges or taxes are generally levied on other companies in Iceland”.*
- (24) Furthermore, Article 9 of the Investment Agreement provides: *“During the Contract Period the Company may elect to be subject to general Icelandic tax laws as existing from time to time. A request for such a transition shall be made by way of written notice submitted no later than June 1 of the calendar year next prior to the calendar year when such a transition is to take effect. If such notice is given, the Parties shall promptly enter into negotiations on the transition to the general tax system according to the cited laws. The Parties shall agree on the transition procedures to accomplish such changeover. Thereafter, the Company shall be subject to these tax laws for the remaining term of this Agreement”.*
- (25) According to the Icelandic authorities, the provisions included in Articles 5.6 and 5.7 establish that the beneficiary will not be subject to any tax that is not levied on other companies in a comparable situation. The provisions do not exclude the application of new charges or taxes that may be introduced into the Icelandic legislation in the future. Consequently, the authorities consider that they do not entail state aid, as they do not confer a selective advantage on Silicon Materials.
- (26) Further, the purpose of Article 9 is to allow a company to waive its rights under the Investment Agreement. Such a situation may occur where amendments to the general rules make the application of the Investment Agreement less beneficial especially in light of the reporting/monitoring obligations.

(ii) Import duties

- (27) Under Article 6.1 of the Investment Agreement, the importation of construction materials, raw materials and other production supplies required for the operation of the project, the machinery and equipment and other capital goods, and spare parts for the building of the project and its operation shall be exempt from customs and excise duties, pursuant to Act No 88/2005 on customs and Act No 97/1987 on excise duties.
- (28) According to the Icelandic authorities, Silicor Materials will not import any goods or services subject to customs duties in Iceland. However, it is foreseen that in case of import of an item that would require payment of customs duties, from which Silicor Materials would be exempted, this amount will be considered as state aid and accounted for. Furthermore, Silicor Materials have signed a commitment⁵ indicating that, should the payment under the agreements exceed the thresholds permitted by the Authority in its decision, the company will repay any excess amount to the relevant Icelandic authorities.
- (29) Concerning excise duties, in December 2014 the Icelandic Parliament abolished Act No 97/1987 by Act No 29/1993, which provides that excise duties are only levied on vehicles and fuels. According to the Icelandic authorities, Silicor Materials does not intend to import vehicles or fuels and the provision is therefore void of practical effect.

(iii) VAT deferral

- (30) Article 6(2) of the Investment Agreement foresees that Silicor Materials shall be granted a deferral of VAT on imports until the due date of reimbursement for the relevant tax period.

⁵ Annex 7 to the notification (Doc. No 807235).

(31) The Icelandic authorities claim that this VAT deferral does not entail state aid. They submit that this provision has already been included in previous investment agreements reviewed by the Authority. They also argue that this is not a deviation from the general statutory rules as such VAT deferral is open to all companies in Iceland and thus does not confer a selective advantage on Silicor Materials.

(32) Article 6(2) of the Investment Agreement does not explicitly provide for the application of any subsequent changes of the general statutory rules. As a result, the present decision will solely assess this provision in view of the general statutory rules as currently in force. Any subsequent changes of those rules, as well as their effect on the Investment Agreement are outside the scope of this decision and would need to be assessed separately at the time of their adoption.

(iv) Reduced corporate income tax

(33) According to Article 5.1 of the Investment Agreement, Silicor Materials will pay a maximum of 15% in corporate income tax. The currently applicable statutory corporate income tax rate is 20% according to the Act No 90/2003 on income tax.

(34) The Icelandic authorities consider that this measure entails state aid. The aid element is estimated to approximately EUR 16.46 million in NPV (EUR 34.52 million in nominal value), accrued in fiscal years 2019 to 2026 and payable in 2020 to 2027.

(v) Reduced general Social Security Charge

(35) Article 5.2 of the Investment Agreement provides that the Icelandic Government will grant Silicor Materials a 50% discount on the general social security tax, as provided for in Article 2(3) of Act No 113/1990 on Social Security Charge. The social security rate currently corresponds to 6.04% of labour cost.

(36) The Icelandic authorities consider that the reduced general social security charge entails state aid. It is estimated that the total aid element will be approximately EUR 3.92 million in NPV (EUR 6.80 million in nominal value), accrued in years 2017 until 2026.

(vi) Flexible depreciation rules

(37) Under Article 5.4 of the Investment Agreement, when new assets are taken into operation, Silicor Materials can depreciate those assets with a proportional factor of the annual depreciation instead of full year depreciation as otherwise provided for in Article 34 of Act 90/2003 on Income Tax. This would allow for a slower depreciation, in proportion to the use of the asset, than otherwise prescribed by the statutory rules. Silicor Materials is also allowed to depreciate its assets down to scrap value instead of keeping the assets valued at 10% of the original value of the assets, as statutory rules in the above-mentioned Act foresee. This measure will apply in 2026 with effect in 2027.

(38) The Icelandic authorities consider that the flexible depreciation rules entail state aid. The aid amounts to EUR 3 million in NPV (EUR 7.68 million in nominal value).

(vii) *Reduced municipal property tax*

- (39) Article 5.3 of the Investment Agreement provides that the municipality will grant Silicor Materials a 50% discount on the general tax rate for municipal properties, which would otherwise be payable in accordance with Chapter II of Act No 4/1995 on Municipalities' Revenue Bases. The currently applicable tax rate in Hvalfjarðarsveit municipality is 1.65%.
- (40) The tax base for municipality property tax is calculated on the basis of an official evaluation of the value of the buildings and land held by the taxable person.
- (41) There is at present no official valuation of the buildings available because the plant still needs to be built. Based on the price of the land and the evaluation of the building cost as well as similar buildings, it is estimated that the tax base for the property when the plant will start its operation could be around EUR 94.2 million, thereof EUR 4.6 million for the land. The Icelandic authorities have provided the Authority with a comparison of property values.⁶
- (42) The Icelandic authorities consider that the reduced municipal property tax entails state aid. The aid element amounts to approximately EUR 4.74 million in NPV (EUR 8.71 million in nominal value), accrued in years 2018 to 2027.

6.2. The Faxaports Agreements

6.2.1. The Land Lease Agreement

- (43) According to the terms of the Land Lease Agreement signed on 22 April 2015, Silicor Materials will rent 31 hectares of land, 26 hectares for industrial use and 5 hectares as a green area. The actual rent will only be paid for land for industrial use, as no business activity can be carried out in the green area.
- (44) According to Article 4, the lease period will commence upon signing the agreement and last for 30 years.

(i) *The non-payment of rent until 1 January 2018 and the rent deferral*

- (45) In November 2013, Faxaports adopted General Terms setting out and codifying their practice regarding the lease of land.
- (46) According to Article 4(1) of Faxaports' General Terms, a land lease agreement shall be concluded when foundations of buildings and bottom plates have been constructed. Collection of rent shall commence three months after the land has been allocated, if the land is suitable for construction. If the land is not suitable for construction when allocated, the collection of rent shall commence on the day Faxaports considers it to be suitable for construction. Thus, immediate payment of the rent is not required upon entry into force of the lease because the land, as it stands, is not fit for any purpose. Substantial excavation and landfilling works must be carried out before construction can commence.
- (47) However, in accordance with Article 1.3 of the General Terms, in light of special circumstances, an applicant can request to receive greenfield land and handle the soil work himself. Silicor Materials is taking on greenfield land, which it will prepare itself for construction. This land will thus not be suitable for construction until the excavation works

⁶ Doc. No 807220.

are finalised. The date when the excavation works are finalised and Faxaports will declare the land suitable for construction is estimated to be mid-2017 at the earliest.

- (48) According to the Icelandic authorities, the fact that Faxaports' general policy to collect rent from three months after the land has been allocated, if the land is suitable for construction, does not entail state aid.
- (49) However, in the case at hand, it is estimated that the land will be ready for construction from mid-2017 and Silicor Materials will only pay rent from 1 January 2018. The Icelandic authorities considers that this deferral until 1 January 2018 constitutes a state aid measure. The Icelandic authorities have quantified the amount of aid for six months' rent in the year 2017 to EUR 24.837 in NPV (EUR 30.649 in nominal value).

(ii) *The amount of rent*

- (50) Silicor Materials will pay Faxaports an annual rent amounting to USD 115 000 or EUR 107 000⁷ for the site lease for the first ten years. This amount is fixed, paid in USD, and not indexed. The rent has been set by applying the methodology always used by Faxaports for this size of plot, namely applying a 2% rate to the value of the land.
- (51) The Icelandic authorities have explained that the official property value of the land has not yet been established by the Icelandic Property Registry in accordance with Act No 6/2001 on registration and evaluation of real property. Pursuant to Act No 6/2001, the Property Registry will establish the official value of the land only when the plant has been constructed and has become operational. A preliminary evaluation by the Property Registry has recently been provided nevertheless, and shows that the value of the site of 260 000 square meters that Silicor Material will use for its industrial activity is approximately ISK 880 million or EUR 5.7 million. The rent payment has been estimated at USD 122 000 or EUR 114 000⁸. Consequently, the total aid amounts to EUR 121 998 in NPV (EUR 235 346 in nominal value), accrued in years 2018 to 2027.

6.3.2. Agreement on Allocation

- (52) Where the investor decides to carry out the excavation works itself, it will enter into an allocation agreement with Faxaports and it can thereafter start the excavation works. However, it will start to pay the rent only when the excavation and landfilling works are over. In the case of Silicor Materials, the Agreement on Allocation was signed on 22 April 2015, which means that the land is ready for excavation works but the company will not start to pay the rent until the land is fit for construction.
- (53) However, according to the terms of the Agreement on Allocation, Faxaports will carry out the necessary alterations to the general land-use (not the excavation works on the plot of land) so that the solar silicon plant can be constructed. Silicor Materials will pay Faxaports a total amount for the works to be carried out corresponding to USD 8.4 million in nominal value together with VAT in eight yearly instalments from 2017 to 2023. This price accounts to approximately 1/3 of the total costs of alteration and excavation works.
- (54) The Icelandic authorities consider that the Land Allocation Agreement does not entail state aid. This is because Silicor Materials will pay market price for the general land-use works,

⁷ Using the exchange rate applicable on 22 April 2015, available at: <https://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>

⁸ *Ibid.*

estimated on the basis of Faxaports' experience in preparing sites and handling road construction. Faxaports' estimate has been confirmed by an external international consultant, i.e. Mannvit (Annex 22 to the notification).⁹

6.3.3. Port Terminal Agreement

(i) *Reduced wharfage fee*

- (55) According to paragraphs 5, 6 and 7 of the Port Terminal Agreement, Faxaports will grant Silicor Materials a 40% discount on wharfage fees for a total period of ten consecutive years. Should Silicor Materials import and export (cargo) for more than 150 000 MT, the discount will be 50% for the share exceeding 150 000 MT tons for the same period.
- (56) The wharfage fees cover the use of the harbour, the use of a permanent secured area in the outer harbour for each extensive user to keep its containers and the access to the common area for loading and unloading vessels. The Harbour Committee decides the harbour tariff unilaterally under the Harbour Act No 61/2003.
- (57) The Icelandic authorities consider that the reduced wharfage fee entails state aid. The aid element amounts to approximately EUR 0.97 million in NPV (EUR 1.55 in nominal value), accrued from 2016 until 2025.

(ii) *Reduced maritime security fee*

- (58) Paragraph 8 of the Port Terminal Agreement provides that Silicor Materials shall pay a fee for maritime security on the basis of the generally applicable rate of 20% of paid wharfage fees. However, as the amount of the wharfage fees has been reduced, this will lead to a reduction in the maritime security fee.
- (59) The Icelandic authorities consider that the reduced maritime security fee entails state aid. The aid element will correspond to the difference between the maritime security fee Silicor Materials will pay and the fee it would have paid without applying the discount to the wharfage fees.
- (60) The aid element has been estimated to EUR 0.10 million in NPV (EUR 0.16 in nominal value) accrued from 2016 to 2025.

7. Aid amount and aid intensity

- (61) Table 3 below summarises the different aid elements, as well as the total amounts of state aid foreseen in favour of Silicor Material both in nominal and NPV.

Table 3. Summary of the state aid elements

SUMMARY	AID GRANTOR	AID ELEMENT	Nominal In MEUR	MEUR NPV	MEUR NPV	MISK NPV
Investment Agreement	Icelandic Government	<ul style="list-style-type: none"> • Paid Income Tax • General Social charge • Depreciation • Exemption export duties 	34.52	16.46	28.12	4 453
	Hvalfj.sveit Municipality	<ul style="list-style-type: none"> • Reduced property tax 	6.80	3.92		
			7.68	3.00		
			0	0		
			8.71	4.74		

⁹ Doc. No 807224.

Faxaports sf	Faxaports	<ul style="list-style-type: none"> • Land Lease fee • Wharfage fee • Maritime Security Fee 	0.27	0.15	1.21	187
TOTAL			59.68	29.33	29.33	4.640

- (62) The Investment Agreement includes the aid from the Icelandic State and Hvalfjardarsveit municipality, amounting to ISK 4 453 million or EUR 28.12 million in NPV. The aid from Faxaports is ISK 187 million or EUR 1.21 million in NPV. The total aid amounts to maximum ISK 4 640 million or EUR 29.33 million in NPV (EUR 59.68 million in nominal value).
- (63) The total aid intensity corresponds to 5.5%.

II. ASSESSMENT

1. The presence of state aid

(64) 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.”

- (65) This implies that a measure constitutes state aid within the meaning of Article 61(1) of the EEA Agreement if the following conditions are cumulatively¹⁰ fulfilled: the measure: (i) is granted by the State or through State resources; (ii) confers an economic advantage to the beneficiary; (iii) is selective, (iv) is liable to have an impact on trade between Contracting Parties and to distort competition.
- (66) In the following, the Authority assesses whether the criteria of Article 61(1) of the EEA Agreement are fulfilled in the four different agreements signed between the Icelandic authorities and Silicor Materials.

1.1 State aid granted through the Investment Agreement

- (67) To qualify as state aid, the measure must be granted by the *State or through State resources*. For the purposes of the state aid rules, the term “State” covers also regional and local bodies.¹¹ A reduction in the tax base or a total or partial reduction on the amount of tax, fees or charges, involves a loss of revenue and is therefore equivalent to the consumption of State resources in the form of fiscal expenditure.¹² When a State foregoes tax revenue, which is normally due, State resources are thereby engaged.¹³
- (68) The notified measures foreseen under the Investment Agreement will be implemented by the Ministry of Finance and the Municipality of Hvalfjarðarsveit.
- (69) Silicor Materials will benefit from reduced taxes and rates. A loss of tax revenue is equivalent to consumption of State resources in the form of fiscal expenditure. A reduction in the tax base or a total or partial reduction on the amount of tax, fees or charges, also involves a loss of revenue and is therefore equivalent to the consumption of State resources in the form of fiscal expenditure.
- (70) The Authority concludes therefore that the notified measures covered by the Investment Agreement are imputable to the State and are financed by State resources.
- (71) The aid measures must further confer *an advantage* that relieves a company of charges that are normally borne from its budget. The definition of aid covers not only direct grants but also State measures, which in any form mitigates the charges that are normally included in

¹⁰ Judgment in *Belgium v Commission (“Tubemeuse”)*, C-142/87, EU:C:1990:125, paragraph 25.

¹¹ Judgment in *Germany v Commission*, C-248/84, EU:C:1987:437, paragraph 17.

¹² Decision No 261/12/COL adopted on 4 July 2012, OJ L 324, 5.12.2013, p. 21 and EEA Supplement No 68, 5.12.2013, p. 21, concerning municipal tax measures; the sale of real estate; and the sale of electricity to Verne, paragraph 82. See also Part V: Specific aid instrument, Application of State aid rules to measures relating to direct business taxation (“Business taxation Guidelines”), OJ C 384, 10.12.1998, pp. 3-9 and EEA Supplement No 26, 8.6.2000, pp. 20-27, point 3.

¹³ Judgment in *Italy v Commission*, Case 173/73, EU:C:1974:71, paragraph 15.

the budget of an undertaking.¹⁴ Such an advantage may be conferred in various reductions in the undertaking's tax burden, including a reduction in the tax base or total or partial reduction in the amount of the tax due. The measures will mitigate the investment cost that should have been borne by Silicor Materials.

(72) In line with its previous practice,¹⁵ the Authority considers that by means of:

- (i) Exemption from the import duties,
- (ii) The reduced corporate income tax,
- (iii) The reduced general social security charge,
- (iv) The flexible depreciation rules,
- (v) The reduced municipal property tax, and
- (vi) The VAT deferral,

Silicor Materials will receive an advantage that will mitigate the costs of the project that the undertaking should normally bear itself.

(73) Concerning the taxation clauses, included in Articles 4.1, 5.6, 5.7 and 9 of the Investment Agreement, the Authority notes that these constitute a mere confirmation of the fact that the beneficiary will be subject to the same taxes as any of its competitors or other companies in Iceland. This confirmation does not reduce the tax liability of Silicor Materials. The Authority concludes that those clauses do not confer an advantage on Silicor Materials.

(74) Furthermore, the aid measure must be *selective* in that it favours “*certain undertakings or the production of certain goods*”. In order to be selective the measure must be liable to place certain undertakings in a more favourable situation than others.¹⁶ In other words, the measure must draw a distinction between operators that are, in the light of the objective of the measure, in a comparable factual and legal situation, a distinction not justified by the nature and general scheme of the system at issue.¹⁷

(75) The Authority considers that the measures (i) to (v) referred in paragraph (72) above are selective because they are only granted to Silicor Materials, through the Investment Agreement that was signed between the Icelandic authorities and Silicor Material for the purpose of providing support solely to this company for its investment at Grundartangi. Other companies in a comparable factual and legal situation do not receive the same economic advantage.

(76) Regarding the VAT deferral for the importation of goods until the due date of reimbursement (measure (vi) referred in paragraph (72) above), the Authority concludes that this is a general measure open to all companies in Iceland. Consequently, Article 6(2) of the Investment Agreement is not a deviation from the general statutory rules. Thus Article 6(2) does not confer a selective advantage on Silicor Materials, provided that the provision is not used to exclude the application of future legislative changes concerning the application of VAT on imports.

¹⁴ Judgments in *Adria-Wien Pipeline*, C-143/99, EU:C:2001:598, paragraph 38; *Spain v Commission*, C-501/00, EU:C:2004:438, paragraph 90; and *Italy v Commission*, C-66/02, EU:C:2005:768, paragraph 77.

¹⁵ See Decision No 40/03/COL of 14 March 2003 on proposed financing and tax measures concerning the construction of an aluminum plant in the township of Fjarðabyggð, where the Authority assessed similar tax clauses (part II, section 2.2).

¹⁶ Judgment in *Cassa di Risparmio di Firenze*, C-222/04, EU:C:2006:8, paragraph 132,

¹⁷ Judgment in *Adria-Wien Pipeline*, C-143/99, EU:C:2001:598, paragraph 41.

- (77) Finally, the Authority considers that the measures of the Investment Agreement are *liable to distort the competition and affect trade between Contracting Parties*. Where aid granted by a State strengthens the position of an undertaking compared with other undertakings competing in intra-EEA trade, the latter must be regarded as affected by the aid measure.
- (78) Silicor Materials intends to produce solar silicon, a product traded worldwide. The solar silicon produced by the beneficiary is specifically made for the PV industry, which is largely exposed to international competition and trade.

1.2 State aid granted through the Land Lease Agreement

- (79) The Land Lease Agreement is signed between Faxaports and Silicor Materials. Faxaports is a public company owned by different municipalities. State aid can also be granted through a public undertaking provided there is *imputability* to the State, as it is the situation in the case at hand.¹⁸
- (80) Concerning the non-payment of a rent until the moment the land is considered suitable for construction, the Authority notes that it is common practice in Iceland not to collect rent for the allocation of public land before it is suitable for construction. Consequently, the agreement does not depart from the system of reference, constituting thus in this respect a general measure.
- (81) However, the deferral of the payment of rent until 1 January 2018 (when the land is foreseen to be suitable for construction by mid-2017) constitutes state aid as it provides a *selective advantage* to Silicor Materials by reducing costs during a 6-month period, which it would normally have to bear.
- (82) As far as the amount to be paid by Silicor Materials is concerned, the Authority observes, as stated in Decision No 261/12/COL and confirmed by the EFTA Court in Case E-9/12,¹⁹ that the Property Registry's evaluation of real estate must reflect the market value of the land. To do so, according to Article 27 of the Act on Property Registry and Valuation No 6/2001, the valuation shall be determined on the basis of best available information on market price of comparable properties taking into consideration the revenues, cost and age of construction, location on property in respect of transport infrastructure, age, exploitation etc. In the said decision the Authority had concluded that the Property Registry was the best proxy for market price.
- (83) In the present decision, according to the information provided by the Icelandic authorities, the Property Registry undertook a preliminary valuation of the land showing that the estimated value of the rent is USD 7 000 higher than what Faxaports had found. Although this is not an official property valuation, it still provides, based on the principles highlighted above, an accurate estimate of the value of the land, which is the basis for the calculation of the rent amount. In addition, the Icelandic authorities have provided data based on the Property Registry in Iceland concerning the value of other plots in the same industrial site, which have been considered by Faxaports for the purpose of calculating the value of the plot to be used by Silicor Materials. In light of this, the Authority concludes that the difference of USD 7 000 in rent confers a *selective advantage* on Silicor Materials, which amounts to a total EUR 121 998 in NPV (EUR 235 346 in nominal value) over the years from 2018 to 2027.

¹⁸ Judgment in *France v Commission (Stardust Marine)*, C-482/99, EU:C:2002:294, paragraphs 50-59.

¹⁹ Case E-9/12 *Iceland v ESA* [2013] EFTA Ct. Rep. 454.

- (84) Further, concerning the duration of the rent, the Authority recalls that, in principle the value of the land is revised annually and consequently the same should be done with the rent for that land, which is calculated based on the land's value. By fixing the rent at constant value for ten years without any adjustment of indexing, Silicor Material receives a degree of planning security concerning its land lease, which other operators do not enjoy.²⁰ This measure as well confers therefore a *selective advantage* on Silicor Materials.
- (85) For the same reasons as those provided in paragraphs (77) and (78) above, the Authority concludes that the advantages identified in the Land Lease Agreement are *liable to distort competition and affect intra-EEA trade*.

1.3 State aid granted through Agreement on allocation

- (86) The Authority concludes that the Agreement on allocation does not confer any selective advantage on Silicor Materials because the Icelandic authorities have demonstrated that the company will pay, for the cost of the general land-use work, a price that is in line with market terms, as estimated by an international expert consultancy (see paragraphs (52) to (54) above).

1.4 State aid granted through the Port Terminal Agreement

- (87) According to paragraphs 5, 6 and 7 of the Port Terminal Agreement, Faxaports will grant Silicor Materials a 40% discount on wharfage fees. Paragraph 8 of the Port Terminal Agreement provides that Silicor Materials shall pay a fee for maritime security on the basis of the generally applicable rate of 20% of paid wharfage fees.
- (88) These public measures granted by Faxaports, that are imputable to the State, imply a reduction of State resources and grant a selective advantage to Silicor Materials by reducing its normal costs in comparison with other competitors or companies established in Iceland.
- (89) The discounts agreed in this Agreement are liable to distort competition and affect trade for the same reasons than as the ones concerning the Investment Agreement (see paragraphs (77) and (78) above).

1.5 Conclusion

- (90) The Authority concludes that the following notified measures constitute state aid within the meaning of Article 61(1) of the EEA Agreement:

Within the Investment Agreement:

- (i) Exemption from the import duties,
- (ii) The reduced corporate income tax,
- (iii) The reduced general social security charge,
- (iv) The flexible depreciation rules, and
- (v) The reduced municipal property tax.

Within the Land Leasing Agreement:

- (vi) The deferral of the payment of the rent until 1 January 2018, and
- (vii) The fixed rent amount.

Within the Port Terminal Agreement:

- (viii) The reduced wharfage fee, and

²⁰ See, along these lines, Decision No 111/14/COL of 12 March 2014 on the PCC silicon Metal Plant at Bakki, in particular Part II, section 1.4.

(ix) The reduced maritime security fee.

(91) On the contrary, the Authority considers that the following measures do not entail state aid within the meaning of Article 61(1) of the EEA Agreement:

Within the Investment Agreement:

- (i) The taxation clauses, and
- (ii) The VAT deferral.

Within the Land Leasing Agreement:

- (iii) The non-payment of rent until the land is suitable for construction.

Within the Agreement on Allocation:

- (iv) The payment for the general land-use works.

2 Procedural requirements

(92) Pursuant to Article 1(3) of Part I of Protocol 3: *“the EFTA Surveillance Authority shall be informed, in sufficient time to enable it to submit its comments, of any plans to grant or alter aid. [...] The State concerned shall not put its proposed measures into effect until the procedure has resulted in a final decision”*.

(93) Consequently, by submitting a notification of the aid measures, the authorities complied with their notification requirements. Also, by not putting into effect the planned measures, the standstill obligation has been respected. The Authority therefore concludes that the Icelandic authorities have respected their notification obligations.

3 Compatibility of the aid measures

(94) In so far as the notified measures above constitute state aid within the meaning of Article 61(1) of the EEA Agreement, their compatibility will be assessed under paragraph (3)(c) of that article that indicates that *“[...] aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest”* may be considered compatible with the functioning of the EEA Agreement.

(95) The Authority has first to verify that the project comes under the scope of the Regional aid Guidelines 2014-2020 (“RAG”)²¹ and that it fulfils the general compatibility conditions described therein.

(96) The Authority notes that the plant will be located in the Hvalfjarðarsveit municipality, an area that is eligible for regional investment aid, as set out in Decision 170/14/COL of 24 April 2014 on the Icelandic regional aid map 2014-2020.²² Furthermore, the production of silicon is a sector eligible for regional aid (paragraph 10 of the RAG).

(97) The Authority also notes that the project constitutes an initial investment that creates new economic activities in the assisted area (paragraph 15 RAG). Silicor Material has also confirmed that the assets acquired will be new (paragraph 90 RAG).

²¹ Available at www.eftasurv.int.

²² OJ L 201, 10.7.2014, p. 33.

- (98) The beneficiary has committed itself to maintain the investment in the region for a minimum of five years after completion of the project (paragraph 94 RAG). Silicor Material has also confirmed that it has not received any other state aid for the same eligible costs.
- (99) Silicor Materials provides a financial contribution of at least 25% of the eligible costs in a form, which is free of any public support (paragraph 36 RAG). It is not a firm in difficulty within the meaning of the Authority's Guidelines on state aid for rescuing and restructuring firms in difficulties,²³ and therefore is not excluded from the scope of application of the RAG.
- (100) Finally, Silicor Material is not subject to an outstanding recovery order following a previous Authority decision (paragraph 19 RAG).
- (101) The Authority therefore considers that the notified aid measures comply with the general compatibility criteria laid down in the RAG. Consequently, in the following the Authority will assess whether the notified measures are compatible with the functioning of the EEA Agreement on the basis of Article 61(3)(c) of the EEA Agreement and the RAG.
- (102) According to paragraph 25 of the RAG, "*[t]o assess whether a notified aid measure can be considered compatible with the internal market, the Authority generally analyses whether the design of the aid measure ensures that the positive impact of the aid towards an objective of common interest exceeds its potential negative effects on trade and competition*". In that regard, the Authority will examine whether the common compatibility principles set out in paragraph 26 of the RAG are satisfied.

3.1 Contribution to a well-defined objective of common interest

- (103) According to paragraph 30 of the RAG "*[t]he primary objective of regional aid is to reduce the development gap between the different regions in the EEA*". The aid granted to Silicor Materials has the objective to develop the assisted area, increase the economic diversification, attract new businesses, create jobs and promote the regional economy.
- (104) The RAG (paragraph 38) provides certain indicators, which serve to demonstrate that the regional aid contributes to the referred objective of common interest.

(a) The number of direct and indirect jobs created

- (105) It is expected that around 200 temporary jobs will be created during the construction of the plant, whereas the plant is envisaged to occupy approximately 450 employees by the time when it has reached its full production capacity. Given that each direct job at the plant creates at least 1.5 indirect jobs elsewhere, the investment will in total create around 900-1.000 jobs. Employees working directly and indirectly for the plant could therefore be equivalent to 9-10 percent of the total workforce in Vesturland.

(b) Training activities

- (106) Silicor Materials has committed to train the workers it will employ. To that effect, Silicor Materials will benefit from training aid in line with the requirements set out in the GBER.

²³ OJ L 271, 16.10.2015, p.35. EEA supplement No 62.

(c) Clustering effect

- (107) An individual investment aid can also contribute to regional development if it creates external economies of scale and other benefits.
- (108) According to the information provided by the Icelandic authorities, the investment aid in favour of Silicor Materials for the establishment of its plant at Grundartangi will allow the company to be in proximity and develop cluster synergies with other large companies in the region that operate in the same industry. This is facilitated by the fact that the Vesturland region is large in size, which has contributed to the establishment of other large plants. As a result, it is expected that the synergies will boost the local economy, maintain economic activities in the area and attract new businesses.

(d) Transfer of technology (knowledge spillovers)

- (109) Investment aid, particularly in technology intensive industries that are very specialised in nature, can create huge potential for knowledge spillovers amongst the companies operating in the same industry, as well as in the whole region.
- (110) The information provided demonstrates that Silicor Materials intends to work closely with research institutions, as well as establish international cooperation with universities and research centres, in the field of solar silicon and the solar industry in general that will enable it to build knowhow, acquire and transfer specialised knowledge.

(e) Cooperation with local higher education institutions

- (111) Investment aid can also trigger cooperation with local higher education institutions for the purposes of creating new technologies and developing new products through local innovation.
- (112) In this respect, it is expected that Silicor Materials will start cooperation with universities in Iceland, in particular with the University of Bifröst, the local university in Vesturland's region, which will lead the vocational training needed for the new plant at Grundartangi.

(f) Duration of the investment

- (113) The investment is planned for a duration of 35 years.

(g) Other factors

- (114) The RAG consider it very important in the assessment of the condition relating to the contribution to a common objective that “[...] Member States must also ensure compliance with Union environmental legislation, including in particular the need to carry out an environmental impact assessment when required by law and ensure all relevant permits” (paragraph 37).
- (115) The Authority notes that the plant, using a completely new innovative technology, is considered environmentally friendly and has benefited from a very swift approval from the competent agencies. Specifically, the Environmental Agency of Iceland has found that the new technology will not have any significant environmental impact. Thus, an environmental impact assessment was not considered necessary.

- (116) The Icelandic authorities further expect an increase at the level of wages in the area, because of the investment.
- (117) In view of the above, the Authority considers that the ad hoc aid to Silicor Materials is coherent and contributes towards a well-defined objective of common interest, which is the economic development of the assisted area pursuant to a strategy designed by the Icelandic authorities.²⁴

3.2 Need for State intervention

- (118) State intervention can be a useful tool to correct market failures. The RAG accept that, in principle, for the areas covered by the regional map, the market is not delivering the expected cohesion objective set out in the EEA Agreement without State intervention (paragraph 46).
- (119) The information provided in the notification also demonstrates that the investment in the Grundartangi area would not materialise without the intervention of the State.
- (120) Consequently, the Authority concludes that in the case at hand there is a need for State intervention.

3.3 Appropriateness of the aid measures

- (121) According to the requirements of the RAG, the notified aid must be an appropriate policy instrument to address the policy objective concerned. An aid measure will not be considered compatible if other less distortive policy instruments or other less distortive types of aid instrument make it possible to achieve the same positive contribution to regional development (paragraph 47). For ad hoc aid, such as the one at hand, it must additionally be demonstrated how the development of the area concerned is better ensured by such aid than by any other scheme or measure (paragraph 51).
- (122) Considering the last point mentioned above, the Icelandic authorities submit that at the time of signature of the Investment Agreement with Silicor Materials, there was no regional incentive scheme in place in Iceland that they could avail themselves of.
- (123) In this respect, the Authority has considered the benefits that will be derived from this *ad hoc* intervention, as mentioned above (e.g. job creation, clustering effect, business attraction etc.), which will have a strong impact in the economic development of the area concerned, which would not be achieved following pure legislative or administrative measures.
- (124) Further, the information submitted shows that the Icelandic authorities have opted *inter alia* for partial tax and duties exemptions, which do not engage resources from the State at the same level as equity instruments or debt relief but which are linked to the successful operation of the plant and the performance of the beneficiary. The Authority agrees that this type of aid instrument will reduce the need for external financing and allow for better starting off conditions for production at the new plant, while at the same time ensuring the commitment of Silicor Materials to the assisted area over a considerable period of time.

²⁴ See also Parliamentary Resolution on a Strategic Regional Plan for the years 2014-2017, Available at: <http://www.byggdastofnun.is/static/files/Byggdadaaetlun1417/parliamentary-resolution-on-a-strategic-regional-plan-for-the-years-2014-2017.pdf> and Sóknara ætlun Vesturlands. Samtök sveitarfélaga á Vesturlandi, Mars 2013, available at: <http://www.stjornarrad.is/media/sl/Soknaraetlun-Vesturlands-080313.pdf>

(125) In view of the above, the Authority concludes that the granting of these *ad hoc* state aid measures is an appropriate means to tackle the regional disparities and support the economic development of the Grundartangi area.

3.4 Incentive effect / Location counterfactual scenario

(126) The Icelandic authorities have explained that the investment would not be carried out without state aid. The works on the investment have not yet started.

(127) According to paragraph 57 of the RAG, in order to assess the incentive effect of a state aid measure there are two scenarios:

- Investment decision where the aid gives an incentive to adopt a positive investment decision because an investment that would otherwise not be sufficiently profitable for the beneficiary can take place in the area concerned, and
- Location decision: the aid gives an incentive to opt to locate a planned investment in the relevant area rather than elsewhere because it compensates for the net disadvantages and costs linked to a location in the area concerned.

(128) Silicor Materials initially considered several locations: Iceland, Mississippi (USA), Quebec (Canada) and Saudi Arabia. In the end, Mississippi and Iceland were the best two options. Silicor Materials' decision to set up the plant in Iceland corresponds to a location investment decision in terms of the RAG.

(129) The Authority notes that the aid measures change the behaviour of Silicor Materials by having it invest in Iceland instead of elsewhere. In the absence of the aid, the investment would have taken place outside Iceland.

(130) In light of the above, the Authority concludes that the measure has an incentive effect.

3.5 Proportionality of the aid (aid to the minimum)

(131) The RAG provide that the amount of the regional aid must be limited to the minimum needed to induce additional investment or activity in the area concerned (paragraph 73).

(132) The Authority considers that in line with the RAG (paragraph 76), in cases of location decisions, as the one at hand, there are two different limits that must be taken into consideration. First, the amount of aid should not exceed the difference between the NPV of the investment in the target area and the NPV of the investment in the alternative location (location funding gap), and the aid cannot exceed the maximum aid amount allowed in the regional aid map for the assisted area. Secondly, the maximum aid intensities must be used as a cap to the applicable net-extra cost approach (paragraph 79).

(133) Starting with the location gap, paragraph 76 of the RAG states that in order to identify the funding gap “[a]ll relevant costs and benefits must be taken into account, including for example administrative costs, transport costs, training costs not covered by training aid and also wage difference. However, where the alternative location is in the EEA, subsidies granted in that other location are not to be taken into account”.

(134) The Icelandic authorities have provided detailed calculations of the different costs (investment and operating costs) between the two possible locations. The Authority considers that in line with paragraph 67 of the RAG the comparisons have a realistic basis.

- (135) The calculations demonstrate an additional cost of setting up and running the plant in Grundartangi that results in EUR 30.7 million in NPV funding gap over a 35-year operating period using the Authority's reference rate for Iceland of 7.50 percent. The aid from the Icelandic authorities amounts to maximum EUR 29.33 million in NPV and therefore below the location funding gap.
- (136) Regarding the limit imposed by the maximum regional aid allowed in the area for large investments, the intensity of the aid measures therefore corresponds to 5.5%, which is below the maximum total aid intensity ceiling resulting from the application of the provisions of the RAG, as illustrated below.
- (137) The RAG provides for an adjusted aid amount for large investment projects (i.e. investments over EUR 50 million), calculated according the following formula:

$$\text{Maximum aid amount} = R \times (50 + 0.50 \times B + 0.34 \times C).$$

R is maximum aid intensity applicable in the area concerned; in the case at hand 15%. B is the part of eligible cost between EUR 50 million and EUR 100 million. C is the part of eligible cost above EUR 100 million.

The NPV of eligible costs is EUR 528.7 million (see *Table 1* above). Consequently, the maximum adjusted aid amount for Silicor Material is as follow:

	Aid ceilings %	Investment MEUR	Adjusted amount
Up to 50 MEUR	15%	50	7.5
50-100 MEUR	7.50%	50	3.75
Above 100	5.10%	428.7	21.9
		528.7	33.1

- (138) The maximum aid ceiling is therefore EUR 33.1 million, which corresponds to an aid intensity of 6.3%. The aid amount is below this threshold.
- (139) The aid amount granted to Silicor Materials is calculated to a NPV of maximum EUR 29.3 million, which is below the maximum aid ceiling.
- (140) The Authority further notes that the Icelandic authorities have confirmed that the aid will not be cumulated with other public support measures and there is a claw back mechanism foreseen to ensure that Silicon Material will not obtain more aid than the one approved in this decision.
- (141) Article 19.4 of the Investment Agreement provides: *“If it is revealed that the incentives provided under this Agreement have exceeded the aggregate levels permitted in Article 7 and other provisions, the excess amount provided shall be reclaimed from the Company”*.
- (142) The Icelandic authorities have entered into two agreements with Faxaports and the Municipality of Hvalfjardarsveit regarding claw-back mechanisms. The Authority agrees with the Icelandic authorities that both are in line with claw-back agreements used in the past and approved by the Authority.²⁵

²⁵ See Decision No 111/14/COL of 12 March 2014 on the PCC silicon Metal Plant at Bakki, paragraph 178.

- (143) Regarding the aid granted by Faxaports through the Land Lease and Allocation Agreements, no claw-back mechanism exists. Also, no maximum aid threshold has been agreed upon on the basis of the Port Agreement.
- (144) Nevertheless, the Authority takes note of the commitment undertaken by Silicor Materials to repay the relevant authorities any amount granted in excess of the maximum amount permitted by this decision (i.e. EUR 29.33 million).
- (145) In view of the above, taking into account the claw back mechanisms established and the commitment undertaken by Silicor Materials, the Authority considers that the aid granted is proportionate and kept to the minimum necessary.

3.6 Avoidance of undue negative effects on competition and trade between EEA States

- (146) The plant will produce silicon for the solar industry. According to the information submitted, it is estimated that the global solar silicon market has generated over USD 5.0 billion in revenues in 2013, while the demand of solar silicon grew by 26.4 percent between 2013 and 2015, and is expected to grow by 23.3 percent between 2015 and 2020.
- (147) The solar silicon market is not in a situation of overcapacity and Silicor Materials will be a new entrant in this market, which is global. The plant at Grundartangi will be Silicor Material's first large scale silicon plant, whereas the market share is expected to be less than 5.0% on average on the worldwide solar silicon market until 2020. As a result, the beneficiary will not hold a substantial market power in the market.
- (148) In view of the above, the Authority considers that the aid measures will not result in any undue negative effect on competition and trade between the EEA.

3.7 Transparency of aid

- (149) The Icelandic authorities have confirmed that they will fulfil the transparency obligations laid down in paragraph 135 of the RAG.

4 Conclusion

- (150) On the basis of the above, the Authority concludes that the notified aid measures are compatible with the functioning of the EEA Agreement pursuant to Article 61(3)(c) of the EEA Agreement.

HAS ADOPTED THIS DECISION:

Article 1

The following notified measures do not entail state aid within the meaning of Article 61(1) of the EEA Agreement:

Within the Investment Agreement:

- Taxation clauses,
- VAT deferrals.

Within the Land Lease Agreement:

- The general deferral of the payment of rent until the land is suitable for construction,

- The calculation of the rent for the use of the public land.

Within the Agreement on Allocation:

- The payment's for the general land-use works.

Article 2

The following measures entail state aid within the meaning of Article 61(1) of the EEA Agreement:

Within the Investment Agreement:

- The import duties exemptions,
- The reduced corporate income tax,
- The reduced general social security charge,
- The flexible depreciation rules,
- The reduced municipal property tax.

Within the Land Leasing Agreement

- The deferral of payment until 1.1.2018,
- The fixed amount of rent.

Within the Port Terminal Agreement

- The reduced wharfage fee,
- The reduced maritime security fee.

Article 3

The aid measures mentioned in Article 2 are compatible with the functioning of the EEA Agreement pursuant to its Article 61(3)(c).

Article 4

This Decision is addressed to Iceland.

Article 5

Only the English language version of this decision is authentic.

Done in Brussels, on 28 July 2016.

For the EFTA Surveillance Authority

Sven Erik Svedman
President

Helga Jónsdóttir
College Member

Frank J. Büchel
College Member

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